FRAUDS AGAINST THE ELDERLY

HEARING

BEFORE THE

SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

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FRAUDS AGAINST THE ELDERLY

TUESDAY, AUGUST 4, 1981

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Harrisburg, Pa.

The committee met, pursuant to notice, at 12:42 p.m., in the auditorium, William Penn Memorial Museum, Hon. John Heinz, chairman, presiding.

Present: Senator Heinz.

Also present: John C. Rother, staff director and chief counsel; David Holton, chief investigator; Michael Rodgers, professional staff member; Ann Gropp, communications director; and Nancy Mickey and Angela Thimis, staff assistants.

OPENING STATEMENT BY SENATOR JOHN HEINZ, CHAIRMAN

Senator HEINZ. Ladies and gentlemen, this hearing of the Senate Special Committee on Aging will come to order. I am very pleased to be here in Harrisburg to chair this hearing, which will deal with a topic of vital concern to older Americans; namely, frauds against the elderly.

Each year, millions of Americans fall prey to the pitches and claims of con men, charlatans, and quacks. And, unfortunately, surveys show that older persons are often sought out in particular as victims by the unscrupulous.

It is estimated that there are over 800 varieties of fraudulent and deceptive crimes. While older persons are not the only victims of fraud, they tend to have many of the characteristics a confidence artist is looking for.

Older persons who live alone, who have lost loved ones, or who are depressed, may be more susceptible to the pretended friendship and concern shown by a con artist. Illness and pain may cause a person to seek relief through self-proclaimed miracle cures. An inadequate income may make an older person more vulnerable to advertised offers promising quick increases in income.

Consumer frauds directed at the elderly include phony medical remedies, phony land sales and investments, worthless insurance, or bogus work-at-home and home repair schemes that promise much and deliver little and, in some cases, absolutely nothing.

Many of these schemes are carried out through the mail. According to the U.S. Postmaster General, and I quote, "All too often, the elderly are prime targets for the mail order swindler because the elderly rely heavily on the U.S. mails as a convenient way for obtaining goods and services without leaving their homes." In fact, it is estimated that some 60 percent of all mail fraud involves the elderly.

To address this serious problem, I recently became a prime cosponsor of S. 1407, legislation designed to give the U.S. Postal Service several new and vital authorities which are needed to help them deal more effectively with mail fraud.[1]

This measure, when passed and signed into law, would go a long way to taking and providing much more effective action by giving tools to apprehend and, more importantly, convict those who use deceit to take advantage of others. Yet, even when that bill is passed, we need to do still more to stop all of those who seek to defraud the elderly and others.

Last year, here in Pennsylvania, the Bureau of Consumer Protection handled some 20,000 complaints. Among the most prevalent were some 840 cases involving door-to-door sales and some 2,000 cases involving home improvement and repair services. In both cases, the elderly seem to have been especially singled out by the greedy and unscrupulous.

It is likely that these numbers are just the tip of a giant iceberg—a mountain of actual cases of fraud, perhaps 10 or 20 times greater, that most victims of con artists or swindlers never report as crimes Often, they are simply too embarrassed to admit that they were "taken."

Estimates indicate that swindlers dupe, defraud, and cheat unsuspecting Americans out of at least $21 billion annually. And investigators say that although people of any age can be victimized, the prime targets for these schemers are senior citizens.

The purpose of this hearing is to help us understand and determine what actions are needed on the part of older persons themselves, neighborhoods and communities, government and the private sector, in order to better protect the elderly against abuse.

Specifically, we want to find out: Which frauds are most frequently perpetrated on the elderly; how widespread these practices are; what impact these frauds have on the lives of elderly victims; and what must be done to protect the elderly from these abuses.

Today, we will hear testimony from experts, criminal justice officials, elderly victims of fraud, and representatives of the aging network. We will hear some firsthand examples of schemes that have actually taken place in Pennsylvania cities and communities—schemes which are typical of others throughout the United States. In addition, on July 24, 1981, I wrote to a number of Pennsylvania district attorneys and chiefs of police asking that they submit comments concerning their experiences with frauds against the elderly. Those responses received at time of publication will be included in the record.[2]

For those of you in the audience—and I know there are many senior citizens in the audience—who would like to provide comments or other information to the Special Committee on Aging on this vital subject, you are invited to use the forms before you leave today—the forms that look like this [indicating] in the back of the room.

The information that you provide will be used by the committee in preparing its report and in its future efforts to protect elderly

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[1] See appendix, page 65.
[2] See appendix, page 76.

citizens against fraud. And we intend to make copies of the transcript of this hearing available to all who want it, and we intend to distribute it to public information sources throughout the United States. We hope the people of this country will avail themselves of those opportunities.

Let me also say for the benefit of the people in the audience that we have put together and collected a series of pamphlets,[1] some of them from the U.S. Postal Service.[2] They, too, are in the back of the room, and I urge you to take a look at them and if you feel you need one, please take one or more with you and make full use of it. It may be of some help to you or to someone you know.

Indeed, it is a great privilege and pleasure to have with us as our first witness today, Virginia Knauer, a graduate of the University of Pennsylvania. She has served in public office; in 1968, she was appointed as director of the Pennsylvania State Bureau of Consumer Affairs. She served as executive secretary to the President's Commission on Consumer Interests. And this year, 1981, Virginia Knauer was, by President Reagan, appointed Special Assistant to the President and Director of the U.S. Office of Consumer Affairs, of course, in Washington, D.C.

Virginia, we are delighted to have you here. We welcome you. Would you please proceed?

STATEMENT OF VIRGINIA H. KNAUER, WASHINGTON, D.C., SPECIAL ASSISTANT TO THE PRESIDENT, AND DIRECTOR, U.S. OFFICE OF CONSUMER AFFAIRS

Ms. KNAUER. Thank you, Mr. Chairman, for your very, very gracious remarks, and welcome to my native Pennsylvania.

I have submitted for the record the complete text of my remarks, but in the interest of time, I would just like to summarize.

Senator HEINZ. Without objection, the entire statement will be a part of the record.[3]

Ms. KNAUER. Thank you.

I greatly appreciate the opportunity to be here today. On behalf of the administration, I would like to express our enthusiasm for the efforts of your committee to address the growing problem of fraudulent victimization of the elderly. It is a difficult problem to face, and many of us would rather not admit that it exists.

However, we must not neglect our responsibility to educate and inform senior citizens, and this hearing is a step in the right direction. We need to develop an awareness of the potential and the incidence for fraud, but in a manner that does not unfairly tarnish the reputation of legitimate enterprises or restrict senior citizens' choices in the marketplace.

There is a lack of reliable and appropriate information. I would have liked to have come equipped with statistical information to demonstrate the need for more consumer education for senior citizens. Most of the statistics we could use do not reflect the total picture nor the seriousness of this subject.

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[1] See appendix, page 91.
[2] Retained in committee files.
[3] See page 7.

This is because the elderly are often reluctant, as the Senator said, to report their consumer problems, or even to admit having been victimized to a researcher. The elderly may be wary of admitting to problems because they feel that to do so reveals their inability to stay independent. I think this points to the absolute necessity for educating elderly consumers so that they can maintain independent lives.

There are a number of reasons why the elderly are more vulnerable to fraud and are therefore more likely to be victimized. One major reason is their relative lack of mobility. The elderly, often confined to their homes, are more likely to make their purchases through mail or from door-to-door salesmen. Both mail order and door-to-door sales offer far greater opportunities to the fraudulent operators than do more traditional marketing techniques.

I would like to emphasize that the vast majority of mail order, door-to-door sales, and home repair firms are legitimate and provide good services. Without the opportunity to buy through the mail or from traveling salespeople, the elderly would be in an even more difficult situation as consumers.

But we have all heard stories of salespersons using deceitful and sometimes threatening sales techniques, once allowed into a home. There are many cases of home repairs being done poorly or left half finished by fly-by-night operators pretending to be legitimate local contractors simply by displaying the signs on their trucks as they drive through neighborhoods looking for victims.

Every homeowner, and especially elderly homeowners, should be particularly wary of roofers, driveway sealers and, most recently, energy efficiency insulation servicers, who arrive unexpectedly at their door claiming to have just been in the neighborhood.

As the elderly population has grown in recent years, the range of fraudulent enterprises which victimize senior citizens has increased proportionately. Many of these unethical businesses profit by exploiting the common fears of the aging.

Medical quackery is certainly not a new phenomenon. There is a common but mistaken belief that quackery has been driven from the medical market by Government regulation and internal enforcement by the medical community. Many Americans remember the days of the patent medicines and the electromagnetic rheumatism cures as a quaint, bygone era. Nothing could be farther from the truth.

A recent national poll, the FDA tells me, indicated that more than 50 million adult Americans agreed with this statement: Ads about medications and health aids must be true or they would not be allowed to print them. But many of the most popular magazines carry false or misleading advertisements for fake medical devices or treatment. Except for certain medical and health publications, very few magazines have medical professionals on their staff, and screening procedures are often very lax.

The Government cannot possibly cope with all the fraudulent health products being advertised in the media and sold by mail. What efforts can be made to enforce protective legislation are often frustrated by long court procedures. Fraudulent promoters will appeal their convictions again and again while they continue to

market their fake products. Many will also change the name of their company or product and continue selling after a conviction.

Elderly citizens are particularly likely to be victimized by health-related frauds because of the many difficult and often chronic health problems associated with the aging.

Senator, I brought a few devices that our fellow Pennsylvanian, Commissioner Hayes of FDA, has given us. This is a mat; it is called an accu-pressure mat [indicating]. It was advertised in a magazine; it looks like a Sunday supplement. The Commissioner tells me it absolutely would not do anything it claims to do.

You are supposed to knead your feet on this, move around a little bit, and it will restore, soothe, and revitalize your whole body, and replace the need, they say, of acupuncture, zone therapy, or other things. But it is just a device, and it costs, I think, $14.95.

I have another one. You will notice nowadays, because there has been so much written about the Chinese acupuncture, these new con artists use——

Senator HEINZ. By the way, it feels pretty uncomfortable.

Ms. KNAUER. Yes; I would not like to bounce up and down on that.

They play on the public's perception of acupuncture, and here is a nice little gimmick called accu-dot. This is no more than a tiny magnet put on what looks like a little circular Band-Aid, and you are supposed to put them here if you have a headache [indicating], or if you have an ache in your elbow. This is supposed to cure it. It obviously does not; this is another of the frauds.

No hearing like this, Senator, would be complete unless we showed you one of the many bracelets that come out. This is called an electro-galvanic bracelet, and it is supposed to take away pain and that sort of thing. It has a little plastic, slotted thing with a little copper and something else in it, and it obviously does nothing. But this was $22.50, and thousands of these were sold.

Senator HEINZ. Ms. Knauer, what did you say the accu-dot sold for?

Ms. KNAUER. The accu-dot is supposed to stop pain. You are supposed to put it on whenever you have a headache or a toothache.

Senator HEINZ. How much is it sold for?

Ms. KNAUER. I am not sure that I have the price on that, but it is certainly a lot more than aspirin, which would really be protective.

To prevent victimization by frauds and cons of all kinds, one must maintain a healthy level of skepticism and even downright suspicion whenever one sees the telltale signs of fraud. If it sounds too good, chances are it is too good.

It must be a constant and continuing effort to arm our senior citizens with the information necessary to defeat fraud by eliminating the opportunity to victimize.

Thank you, Senator.

Senator HEINZ. Ms. Knauer, thank you very much.

I just want to make sure that everybody in the audience has had a chance to see these three items, and I might say that this bracelet feels like it weighs about an eighth of an ounce. I mean, it is made out of tinfoil and you have the feeling that if you squeezed

it really hard, it would literally self-destruct in your hands. It is not to be confused with a Rolex or anything else.

The accu-dots—well, put it this way: Excedrin is going to do you a lot more good.

Ms. Knauer, it is clear to me that your Office is already very, very active, and I commend you for your activity. I would like to know what additional actions you may choose to initiate, now that you are the full-time head of that Office. Can we expect some new, additional initiatives from you as well?

Ms. KNAUER. Yes, I think so, Senator. I feel, too, that local groups have a responsibility. For instance, the health care professionals could get together small exhibits—maybe just a little poster to be displayed in pharmacies, doctors' offices, and health centers, showing the medical quackery that is currently being exposed to the public and to warn against it.

I think the banks——

Senator HEINZ. Kind of the consumer protection equivalent of the FBI's 10 most wanted men.

Ms. KNAUER. Exactly, yes.

Senator HEINZ. Watch out for these 10 or 5, or whatever number, most fraudulent scams.

Ms. KNAUER. Most people go to drugstores or pharmacies, or to their own doctors' offices or health centers, and these would be places that could expose this. We think, too, that the banks or thrift organizations also have a responsibility; perhaps putting little booklets of their own into their monthly statements would help, or training their tellers that when an elderly person who has been making small withdrawals suddenly makes a big one, to warn that person that they may be victimized, or certainly give them a phone number to call to report if they think there is anything wrong with a deal they are doing.

We also think, too, that there are wonderful law enforcement agencies all around who would furnish speakers to smaller seminars.

Senator HEINZ. So, you are undertaking a very comprehensive consumer education effort on these matters?

Ms. KNAUER. Yes, we are trying to launch it.

Senator HEINZ. We will follow your progress with great interest, and we wish you well on it. Let me ask you this. The President has made a special point of emphasizing in his policy statements that he is looking much more than in the past to local government and to the private sector to aid in his economic recovery efforts.

I am wondering what role local government and the private sector can specifically play in helping you in what you are doing to lessen the impact of these kinds of crimes against the elderly.

Ms. KNAUER. We have instituted programs with the private sector, working with the disabled community. Many disabled people are elderly, and finding part-time jobs for them alleviates the financial restrictions that people have. There is much that we can do to reach out.

This is, of course, the International Year of Disabled Persons. We will also be having a White House Conference, in late November or early December, on Aging. This comes every 10 years. Some good suggestions came out of the 1971 White House Conference, and we

expect that with all the preliminary work that has been done, we will have other good suggestions and programs recommended.

Senator HEINZ. On that point, let me just note that as chairman of this committee, I wrote Attorney General William French Smith, urging him to make a special effort to include the problems of the elderly in the studies of crime being conducted by his special task force. I also wanted to know what we might do as a Nation to more effectively combat crime.

This really leads me to my last question, which is, since I think it is fair to say that the Federal bureaucracy is more likely to get smaller than larger these days, will the President's budget cuts affect Federal programs designed to protect the elderly from economic frauds?

Ms. KNAUER. I feel not, Senator. Under the President's revised budget for 1981, the amount for aging programs would rise to $168 billion; that is an increase of 17 percent. And for fiscal 1982, outlays for the aging program are going to rise to about $190 billion, and that is an additional 13-percent increase.

When you compare this with the budget as a whole, which rose just 6 percent, we think this is a step in the right direction. Of the overall budget of $695 billion, 27-plus percent is going to be devoted to aging programs. We all know that the aging population constitutes about 11 or 12 percent of the total U.S. population, and under the Reagan 1982 fiscal year budget, 27 percent of that budget will go for programs for the aging.

Senator HEINZ. Ms. Knauer, thank you.

Ms. KNAUER. Thank you, sir.

[The prepared statement of Ms. Knauer follows:]

PREPARED STATEMENT OF VIRGINIA H. KNAUER

Mr. Chairman, I greatly appreciate the opportunity to be here today. And on behalf of the administration I would like to express our enthusiasm for the efforts of your committee to address the growing problem of fraudulent victimization of the elderly. It is a difficult problem to face, and many of us would rather not admit that it exists. However, we must not neglect our responsibility to educate and inform senior citizens, and this hearing is a step in the right direction. We need to develop an awareness of the potential and incidence for fraud in a manner that does not unfairly tarnish the reputations of legitimate enterprises or restrict senior citizens choices.

There is a lack of information and appropriate statistical information to demonstrate the need for more consumer education of senior citizens. Most statistics we could use do not reflect the total picture nor the seriousness of this problem. This is because the elderly are often reluctant to report their consumer problems, or even to admit having been victimized to a researcher. The elderly may be wary of admitting to problems because they feel that to do so reveals an inability to remain independent. I think this points out the necessity for educating elderly consumers all the more, so that they can maintain independent lives.

Today, I would like to begin by describing the types of fraud to which the elderly are especially vulnerable. One of the most common, but dramatic kinds of fraud is the confidence game.

The two most common con games are the "pigeon drop" and the "bank examiner." These schemes, also known as "bunco" occur with alarming regularity, and more often than not, the victim is an older person, who often loses a life savings.

In the pigeon drop strategy, a target, often an older person, is approached and befriended in a public place by one of the con artists. The second person then arrives and is introduced as a friend or relative of the first. One partner pretends to have discovered a large amount of cash from an illegal operation like a gambling syndicate, and they agree to share the find among the three of them.

After one con artist pretends to have talked to a lawyer, they say that each must invest good faith money until the lawyer can check with the police to see if there is an investigation concerning the money.

The victim is then tricked into giving the con artists a large amount of money, perhaps a life's savings in the expectation of doubling the investment of "good faith money."

The second most common kind of con game is the bank examiner scheme, similar to the pigeon drop.

The victim is made to believe that the con artist wants to test the honesty of a suspected bank employee and is therefore asking that the victim withdraw a large sum of money so that they can catch the embezzler in the act.

The victim is asked to turn the money over to a "bonded messenger," so that they can use the serial numbers to trace the embezzlement. After the money is given to the bonded messenger, it is, of course, never seen again.

A third way in which con artists can misrepresent themselves so as to gain the victim's trust, and eventually the victim's cash, is by presenting themselves as building inspectors. They will display false credentials at the door of the victim's residence, and if allowed in to inspect the plumbing, or electrical system, the foundation or structural woodwork, will invariably "discover" terrible problems and recommend an "expert"who will then charge exorbitant rates for unnecessary work done poorly or not at all.

Elderly citizens, especially widows who have never before handled household finances, are often so afraid of losing their homes, or are so anxious to increase their savings, that they are perhaps more likely than others to fall for the con artist, and therefore are his favorite victims.

Through cooperative community efforts, by each citizen educating himself, and helping to inform others, perhaps we can take away the con artist's opportunities to victimize our elder citizens.

There are a number of reasons why the elderly are more vulnerable to fraud and are therefore more likely to be victimized. One major reason is their relative lack of mobility. The elderly, often confined to their homes, are more likely to make their purchases through the mail or from door-to-door salesmen. Both mail order and door-to-door sales offer far greater opportunities to the fraudulent operators than do more traditional marketing techniques.

Consumer protection laws are much more difficult to enforce when the operator in question does business through the mail and perhaps the job of law enforcement is most difficult when dealing with illegitimate door-to-door sales or fly-by-night home repair operators.

I'd like to emphasize that the vast majority of mail order, door-to-door sales, and home repair firms are legitimate and provide good services. Without the opportunity to buy through the mail or from traveling salespeople, the elderly would be in an even more difficult situation as consumers.

But we've all heard stories of salespeople using deceitful and sometimes threatening sales techniques, once allowed into a home. And there are many cases of home repairs being done poorly, or left half finished by "fly-by-night" operators pretending to be legitimate simply by displaying signs on their trucks as they drive through neighborhoods looking for victims.

Every homeowner, and especially elderly homeowners, should be particularly wary of roofers, driveway sealers, and most recently energy efficiency insulation servicers who arrive unexpectedly at their door claiming to have "just been in the neighborhood."

As the elderly population has grown in recent years, the range of fraudulent enterprises which victimize senior citizens has increased proportionately. Many of these unethical businesses profit by exploiting the common fears of the aging.

Medical quackery is certainly not a new phenomenon. There is a common but mistaken belief that quackery has been driven from the medical market by Government regulation and internal enforcement by the medical community. Many Americans remember the days of patent medicines and electromagnetic rheumatism cures as a quaint bygone era. Nothing could be further from the truth.

A recent national poll indicated that more than 50 million adult Americans agreed with this statement: "Advertisements about medications and health aids must be true or they wouldn't be allowed to print them." But many of the most popular magazines carry false or misleading advertisements for fake medical devices or treatment. Except for certain medical and health publications, very few magazines have medical professionals on their staff, and screening procedures for advertisements are often very lax.

The Government cannot possibly cope with all the fraudulent health products being advertised in the media and sold by mail. What efforts can be made to enforce

protective legislation are often frustrated by long court procedures. Fraudulent promoters will appeal their convictions again and again while they continue to market their fake products. Many will also simply change the name of their company or product and continue selling after a conviction.

Elderly citizens are particularly likely to be victimized by health-related frauds because of the many difficult and often chronic health problems associated with aging.

To prevent victimization by frauds and cons of all kinds one must maintain a healthy level of skepticism and even downright suspicion whenever one sees the telltale signs of fraud. If it sounds too good to be true, chances are that it isn't true.

We're very happy to see this committee meeting outside of Washington, because the defeat of fraud cannot come from Washington. It must start at the State level and primarily, it must be from local grassroots efforts. According to a recent AARP survey, 70 percent of older Americans said they wanted more consumer education. This indicates a need which I think we must strive to address. Churches, schools, drugstores, and other retail shops, and all community organizations have a strong responsibility to educate our elderly consumers. Only the myriad of State and local consumer and aging agencies can foster the kind of awareness necessary to combat these problems. And the effort cannot end with one publication, one speech, or one project. It must be a constant and continuing effort to arm our older citizens with the information necessary to defeat fraud by eliminating the opportunity to victimize.

Senator HEINZ. I now want to call upon our next witness, Kenneth Fletcher, who is the Chief Postal Inspector for the U.S. Postal Service. But before I do call upon him, there is a special guest here that I would like to introduce; that is, State Senator John D. Hopper of the 31st Senatorial District.

John is a good friend of mine and has managed to lose his voice for this occasion; he has laryngitis. He is the chairman of my counterpart committee in the State senate; he is the chairman of the State Committee on Aging and Youth. He identifies with both. He has white hair and a young spirit.

John, we welcome you to these hearings. We thank you for coming. Thank you. Please, do stand, and I hope everybody will note John Hopper. John, thank you very much. [Applause.]

I might just note that Mr. Fletcher is not exactly a newcomer to the Postal Service; he has only been with it for 23 years. [Laughter.] He looks pretty young for that, I must admit. He was appointed to his present position in November 1979, by the Postmaster General, General Bolger, and he, I know, has some very important testimony to give us.

So, Chief Fletcher, would you please proceed?

STATEMENT OF KENNETH H. FLETCHER, WASHINGTON, D.C., CHIEF INSPECTOR, U.S. POSTAL SERVICE

Mr. FLETCHER. Thank you, Mr. Chairman.

My name is Kenneth Fletcher; I am the Chief Postal Inspector. I appreciate the opportunity to appear before this committee today to discuss our efforts to combat and prevent crimes against the elderly.

The Postal Inspection Service is the investigative arm of the U.S. Postal Service. It has investigative jurisdiction over all violations of Federal crime relating to the Postal Service, including mail fraud.

Senior citizens are heavy users of the mails. It is convenient for them; it provides an ideal way by which they can obtain services or goods at a minimum of cost and effort. In fact, the Postal Service has been promoting shop-by-mail since the country first experienced the energy shortage.

The integrity of senior citizens, as a group, is superb; they pay their bills on time. Unfortunately, these very factors make the elderly prime targets for mail order swindlers. Recognizing this, we have designated postal crimes against the elderly as one of our highest priority programs.

Let me here insert a cautionary note about what I am saying. The vast majority of mail order firms are legitimate. I am focusing on the relative few who have distorted and used the system for their own illegal gains.

A little later in my testimony, I will be discussing actual case files which are representative of the type of schemes where the elderly are victimized. While we feel successful criminal prosecution in these types of cases serves as a deterrent to others, this is of little solace to those who have lost their money. The ideal solution is, of course, to prevent individuals from being victimized in the first place.

We, therefore, consider the prevention of crime as the first step in our criminal investigative process. We will always investigate criminal cases because even the best preventive efforts will not deter all crime. However, we do believe a substantial reduction in crime can be accomplished through a combination of public awareness and a lessening of opportunity for the criminal. We think the efforts of this committee in holding this hearing is very helpful in this regard, Senator.

In September 1979, the Postmaster General initiated a consumer protection program—a program of prevention through education and awareness. We selected and trained inspectors across the country as consumer protection specialists. Their mission is to educate and inform. As part of that effort, we have prepared pamphlets and handouts,[1] some of which I have here and the Senator referred to earlier in the back of the room, which address specific problems areas or schemes.

Also, in an effort to heighten public awareness to mail fraud schemes, inspectors have appeared on hundreds of radio and television interview programs and have addressed thousands of civic and consumer groups, as well as prepared articles for numerous newspapers and magazines.

In addition, we contact publishers to advise them of action taken by the Postal Service against fraudulent work-at-home and medical schemes which were promoted through advertisements placed in their publications.

Where frauds have been committed, we use a two-pronged attack. Criminal prosecution is considered for each investigation under 18 U.S.C. 1341, which is the mail fraud statute. It is one of this Nation's oldest consumer protection laws. The law is quite simple and very broad. Essentially, whoever uses or causes the mails to be used in an effort to defraud is in violation of the mail fraud statute.

Additionally, we can take civil action under 39 U.S.C. 3005. This section permits the Postal Service, upon proper showing before an administrative law judge, to withhold and return to the sender

[1] Retained in committee files.

mail addressed to anyone who solicits moneys through the mail by false representations.

In addition, the Postal Service can request the U.S. district court in the State where the promotion receives mail to issue a temporary restraining order. This, in effect, stops the delivery of mail until the administrative law judge renders a decision. Oftentimes, this is the only effective remedy, particularly with work-at-home and medical schemes, where victims are very reluctant to publicly display their gullability in any criminal proceeding.

There are several types of fraudulent promotions which, by their nature, tend to focus on our senior citizens. They include work-at-home schemes, investment and job opportunity ventures, land and merchandise frauds, and spurious medical promotions.

Through cleverly conceived advertising, promoters tout all manner of miracle cures. Due to rising costs of medical attention and perhaps previously unsuccessful attempts to alleviate their suffering, the elderly are often tempted to try these purported cure-alls for a long list of problems, including arthritis, cancer, obesity, impotency, and baldness.

The callous nature of these promoters and the grave danger involved in their product is perhaps best illustrated by a California case. The promoter sent thousands of direct mail advertisements to people throughout the United States and Canada purporting to have a wonderful, new medical discovery.

This medical discovery was to cure cancer and any complaint that may be treated via the bloodstream. The home treatment cure was priced at a staggering $700, but in spite of the price, the promoter was receiving up to 10 inquiries per day concerning the product.

The product was composed of injectibles represented as 100 percent pure organic extractions from kelp and seaweed, and oral medicine to be taken by the patient. We purchased the product and received bottles of B_{12} vitamins, bottles of fluids containing a kelp compound, and a needle to inject the fluid. These fluids were so contaminated by bacteria that serious illness or death could result.

The promoter was arrested, pleaded guilty to mail fraud, and was sentenced to 3 years' probation, fined $1,000, and ordered to devote 100 hours to community work.

Millions of senior citizens suffer the crippling effects of arthritis. All too frequently, arthritis sufferers are anxious to relieve their pain and suffering and therefore are open targets for the con artist.

All kinds of concocted potions and tablets have been touted as cures for arthritis. Whether it be a powder consisting of wheat cereal, protein, and small amounts of vitamins or a mixture of cod liver oil and orange juice, it has been guaranteed as a new-found cure for arthritis.

Nor do the fraudulent claims for arthritis cures stop with orally taken potions. Such items as the bracelets, whether made of copper and advertised as a space age discovery, or coral sea plants used by Indonesian witch doctors in voodoo medicine, have all been falsely promoted as guaranteed cures for arthritis, bursitis, and rheumatism.

About 36,000 people responded to an advertisement which promoted a product that would enable a person to "make love with

anyone you desire." This advertisement claimed that this product was the "miracle that can revitalize your sex life in just days even if you are 100 years old." For $10, a person received a bottle of vitamin/mineral capsules similar to those purchased across the counter of any drugstore and a so-called advice manual consisting of an advice to the lovelorn column.

Recently, a company in Memphis, Tenn., sent direct mail advertisements to thousands of senior citizens nationwide offering "the miracle of the 1980's." The product, called Potency Plus, would stop the process of aging and increase the lifespan of the user. It was to be used by those suffering from arthritis, bad eyesight and hearing, gallstones, high blood pressure, gout, ulcers, blood clots, constipation, heart disease, stroke, and all the other ravages of aging.

For $20, respondents received a 60-day supply of pills consisting of vitamins C and E, and a so-called miracle ingredient. Medical experts refuted these claims, but before the promotion was stopped by a false representation order, about 7,000 persons purchased this cure-all product.

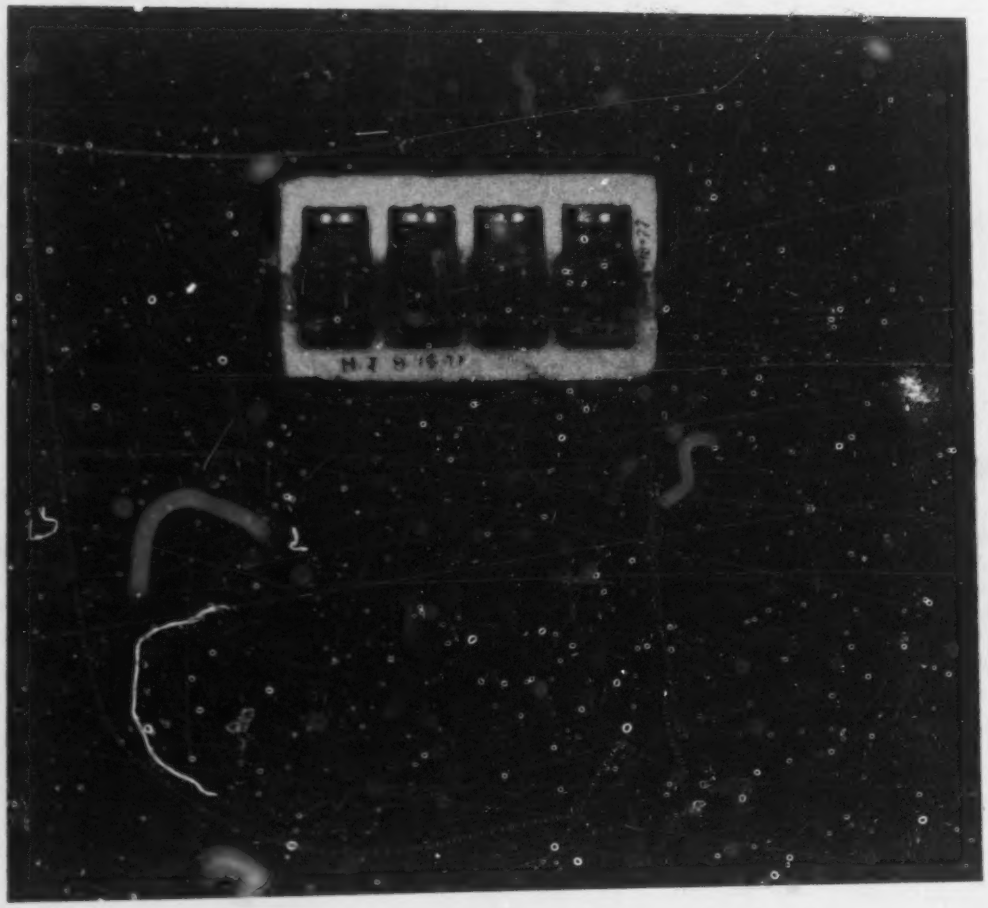
A New York-based operation advertised an amazing skin formula which would lift aging skin right off your face in just 7 seconds. It also claimed to be FDA-approved. The price of this amazing product, $12.50. A doctor testified that these advertising claims were false and stated that washing with soap and water with a washcloth would accomplish the same results.

Another promoter advertised in nationally distributed publications that one could "get rid of body pain without medicine." Those interested were to write Zeldcoe, Santa Ana, Calif., for free details. In return, the promoter sent a letter soliciting $14, plus $1.50 for handling, for a product called the New Health Restorer—a device which the promoter claimed that when used just a few minutes per day, would give lasting relief from body pains and miseries, would restore normal body functions, and enable the users to live longer, more active lives. The device was also guaranteed to be completely safe to use.

In return, respondents received a board of approximately 6 by 12 inches in size with three plastic cushions attached to one side. A person is supposed to place this device on the floor, sit on it, rock back and forth, and at the same time move the knees from side to side. We would demonstrate this for you, Senator, but we could not find anybody who could do it. [Laughter.]

SEAWEED CANCER CURE

Submitted by Kenneth Fletcher



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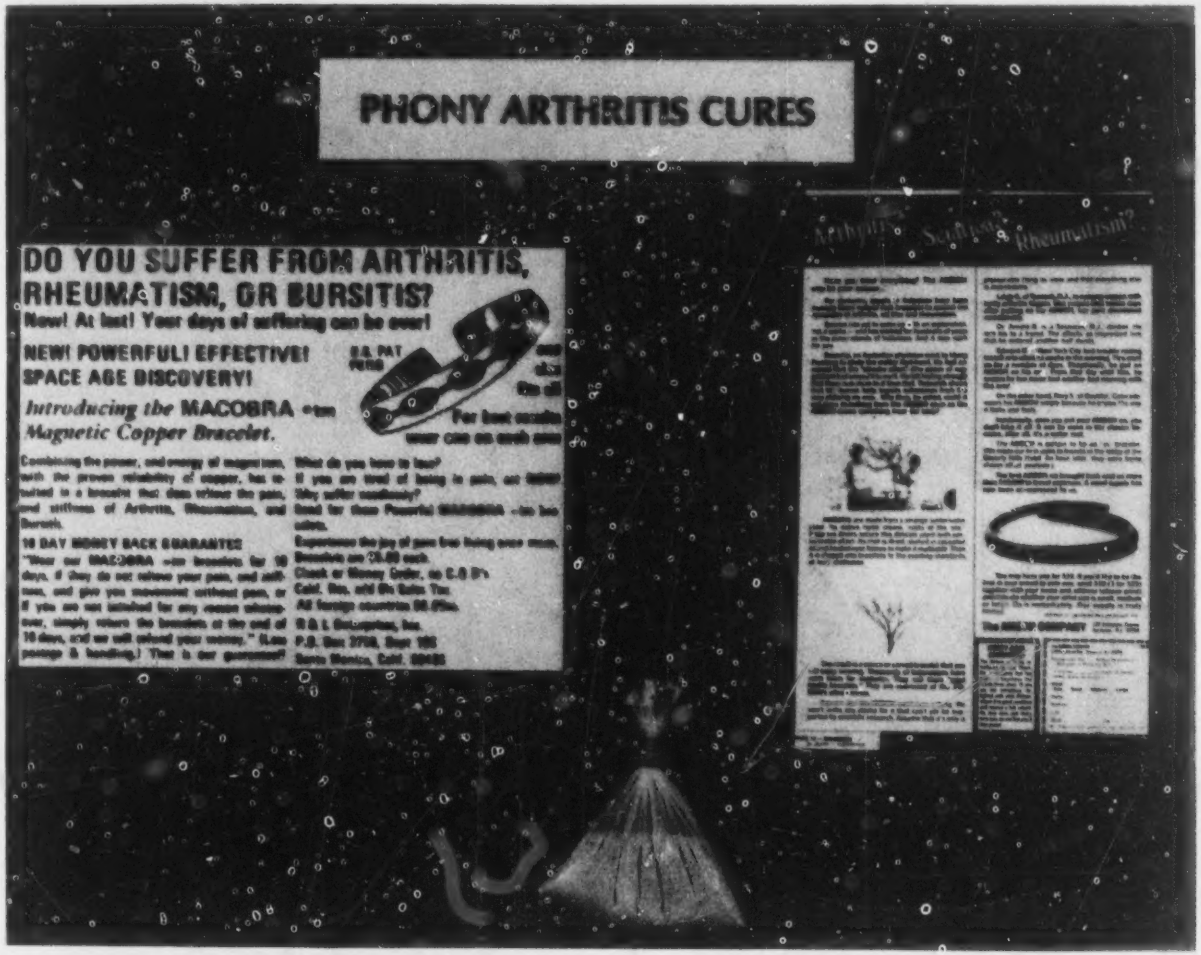
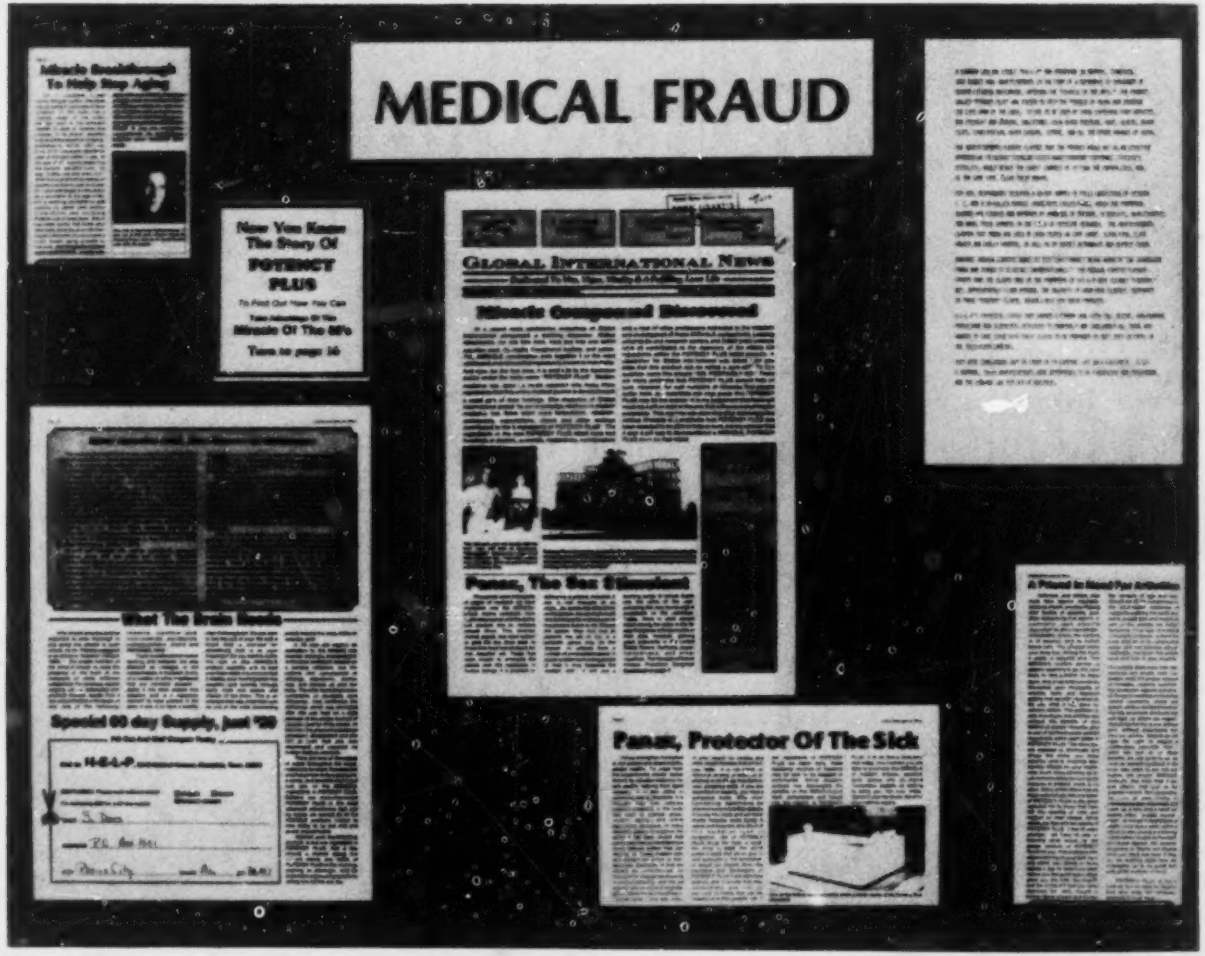
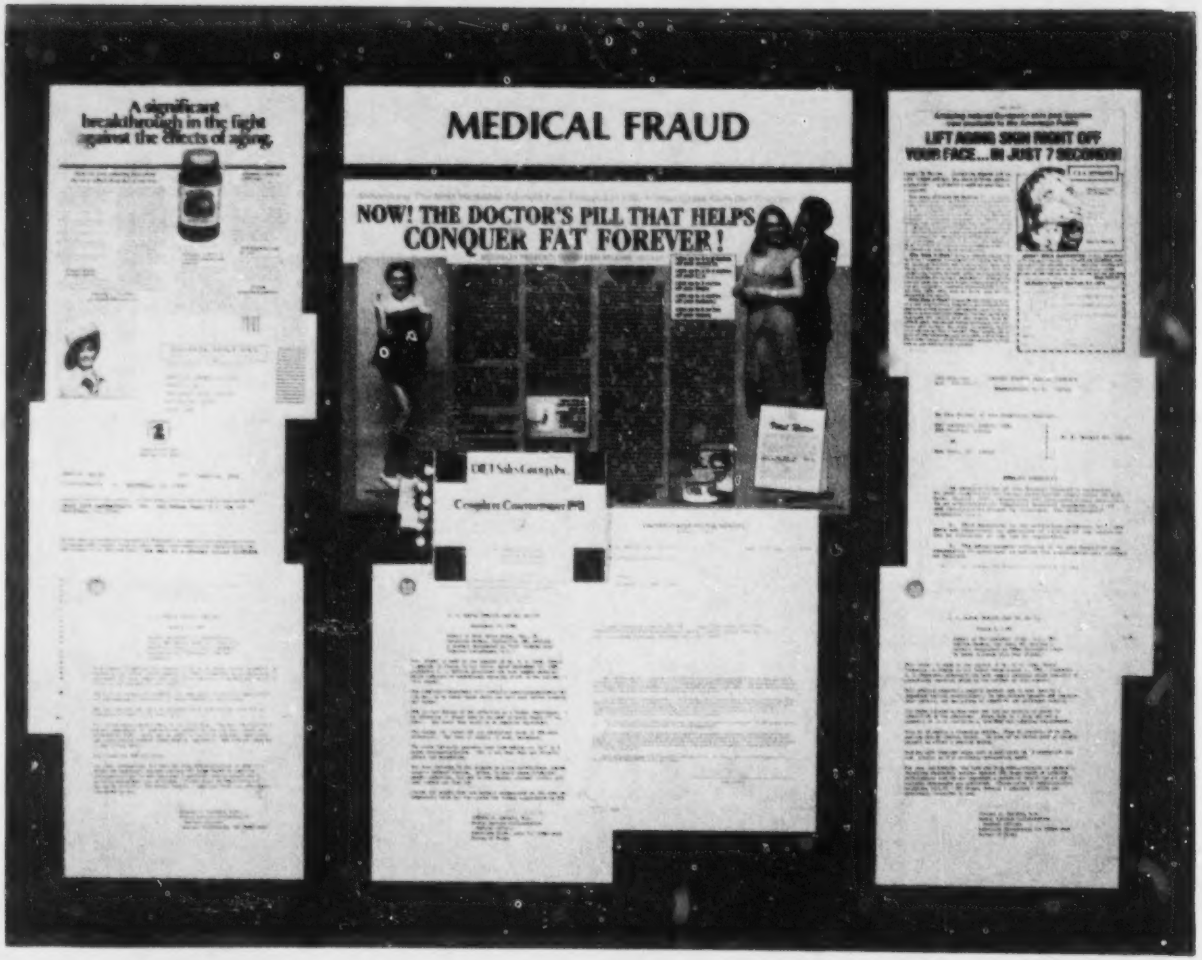
PHONY ARTHRITIS CURES


DO YOU SUFFER FROM ARTHRITIS, RHEUMATISM, OR BURSITIS?
Now! At last! Your days of suffering can be over!
NEW! POWERFUL! EFFECTIVE! SPACE AGE DISCOVERY!
Introducing the MACOBRA ™ Magnetic Copper Bracelet.
10 DAY MONEY BACK GUARANTEE!
Arthritis Scotland's Rheumatism?

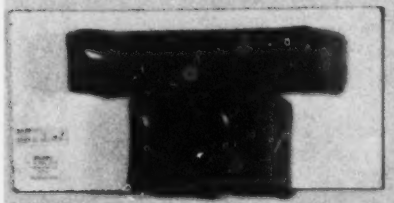
Make Love
With
Anyone
You Desire!
Enjoy Sexual Relations
With Anyone You Desire,
As Often As You Wish!
Amazing Sexual
Potency
At Any Age


MEDICAL FRAUD
Miracle Breakthrough To Help Stop Aging
Now You Know The Story Of POTENCY PLUS
To Find Out How You Can Take Advantage Of The Miracle Of The 80's
Turn to page 16
GLOBAL INTERNATIONAL NEWS
Miracle Compound Discovered
Panax, The Sex Stimulant
What The Brain Needs
Special 60 day Supply, just $20
Panax, Protector Of The Sick
A Friend In Need For Arthritis


A significant breakthrough in the fight against the effects of aging.
MEDICAL FRAUD
NOW! THE DOCTOR'S PILL THAT HELPS
CONQUER FAT FOREVER!
LIFT AGING SKIN RIGHT OFF YOUR FACE... IN JUST 7 SECONDS!

MEDICAL FRAUD

GET RID of body pain with no medicine.
Free details: Zeldcoe, Box 11155, Santa
Ana, CA. 92711



Senator HEINZ. Do we have any volunteers in the audience?

Mr. FLETCHER. A medical expert stated, "It is beyond my comprehension how this ridiculous device and exercise can possibly result in the claimed benefits." He further stated that use of this device would actually aggravate the condition of the user, especially if the user were elderly, and could cause even greater suffering.

As you can see, Mr. Chairman, the problem goes beyond the mere loss of a few dollars. These devices can do harm and, possibly worse, the victim may put off seeking needed medical attention by relying on the promised miracle cure.

Another very prevalent fraud aimed at the elderly is the so-called work-at-home scheme. The most common offerings are for envelope stuffing or the making of a product, perhaps baby booties or aprons. It is usually alleged that there is a market for such products when there is none, or that the promoters will buy the products when, in fact, the promoter will not.

I think you are all familiar with the kinds of advertisements I am talking about: "Earn $400 or more per month in your own home; no investment necessary; choose your own hours," that kind of come-on. We know of no such work-at-home scheme that ever produces income as alleged.

In an effort to expose these operations, we have developed a brochure,[1] which is available at the back, and which has had far more response than we anticipated. This brochure describes the typical work-at-home schemes, with cautions for the consumer. It also asks the consumer to notify us of suspicious advertising and has a tear-off card for this purpose.

Since we issued the brochure in June 1980, we have been receiving over 50 reply cards a week identifying numerous promotions, some of which we were totally unaware of. In the last 12 months, we have put out of business, through false representation orders, consent agreements, or criminal proceedings, about 3,500 of these phony work-at-home promotions.

A typical scheme was a promoter who offered work-at-home employment making foundations for wreaths. These foundations were to form the backing for decorated Christmas and funeral wreaths. The operator, Harry Morrison, formed a company called W. C. Wreath Co., and guaranteed to purchase these foundations for $1.50 each. Morrison also guaranteed the investors they would be earning more than $1,200 per month.

No wreaths were ever purchased by Morrison, and before we were able to arrest and convict this man for fraud, 300 senior citizens invested $47,000 on this promotion. This wreath here [indicating] is 1 of more than 500 made by one man, Frank Gruber of Titusville, Fla., a 68-year-old retired machine designer who wanted to supplement his income. Mr. Gruber personally went to Morrison with some wreath foundations and was assured they were quality and would be bought by the W. C. Wreath Co., and that was all he got—a lot of promises.

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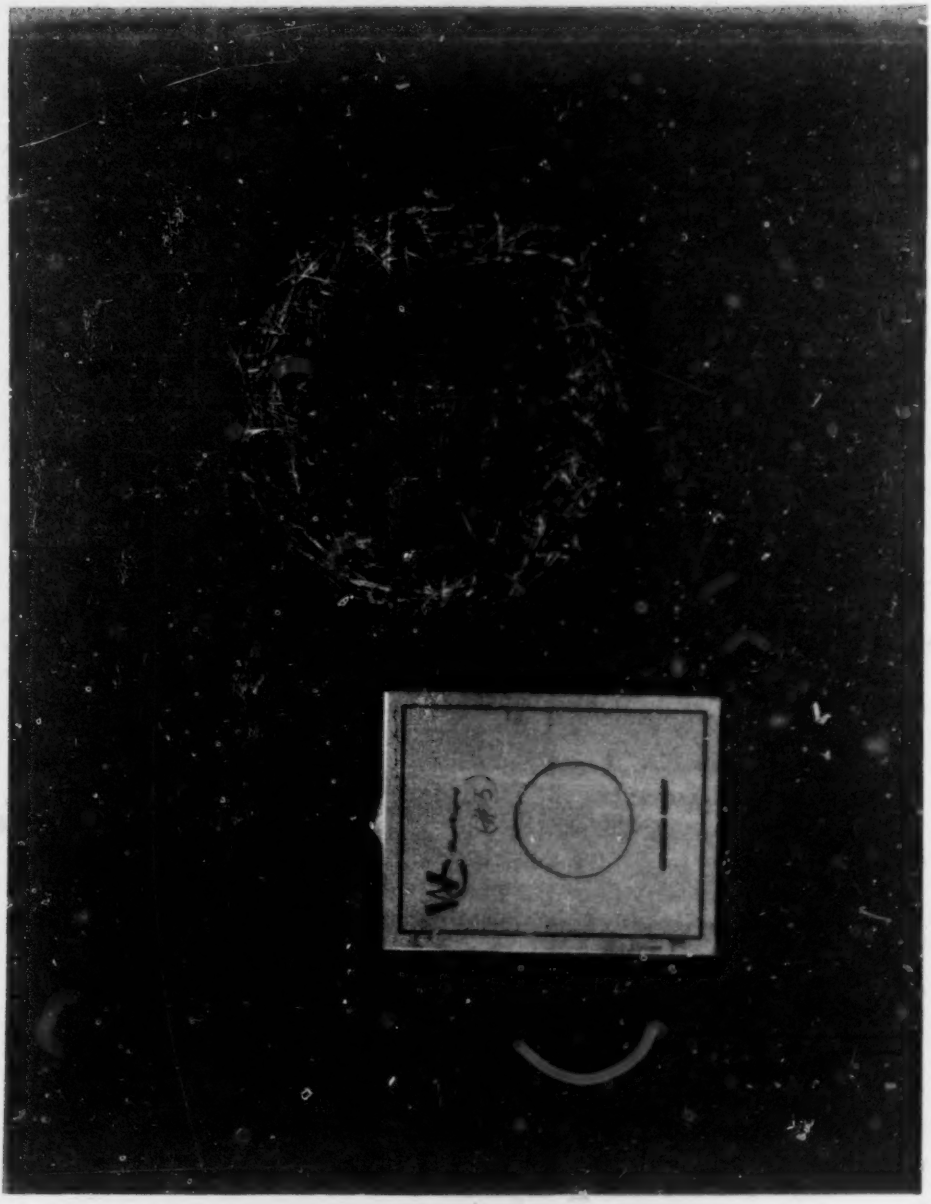
[1] Retained in committee files.



More than 9,800 persons invested $12 each in a work-at-home promotion advertised by Habco Sales in Texas. The operators of this fraud scheme placed advertisements in nationally distributed publications, such as the National Enquirer, offering employment mailing circulars.

Those who invested were advised that Habco Sales represented 50 companies who paid commissions to have circulars mailed. However, instead of mailing circulars, respondents were told to place advertisements in newspapers similar to the ones which enticed them to invest their $12. The operators of this scheme were fined and sentenced on January 5 of this year to 3 months in jail, 5 years' probation, and a fine of $6,000.

Another work-at-home promoter, operating through five different company names and addresses in California, enticed over 25,000 persons across the country to invest $12 each, with promises of income ranging from $180 to $500 per week. Lawrence Phillips placed classified advertisements in daily and weekly newspapers from the west coast to the east coast and mailed promotional material throughout the country soliciting homeowners to join his program in which they would earn a weekly salary just by stuffing envelopes.

Again, for the $12 application fee, those responding to the advertisements received a starting kit for the program, claims that the work consisted primarily of addressing envelopes and inserting circulars, and that they would not be required to buy anything else.

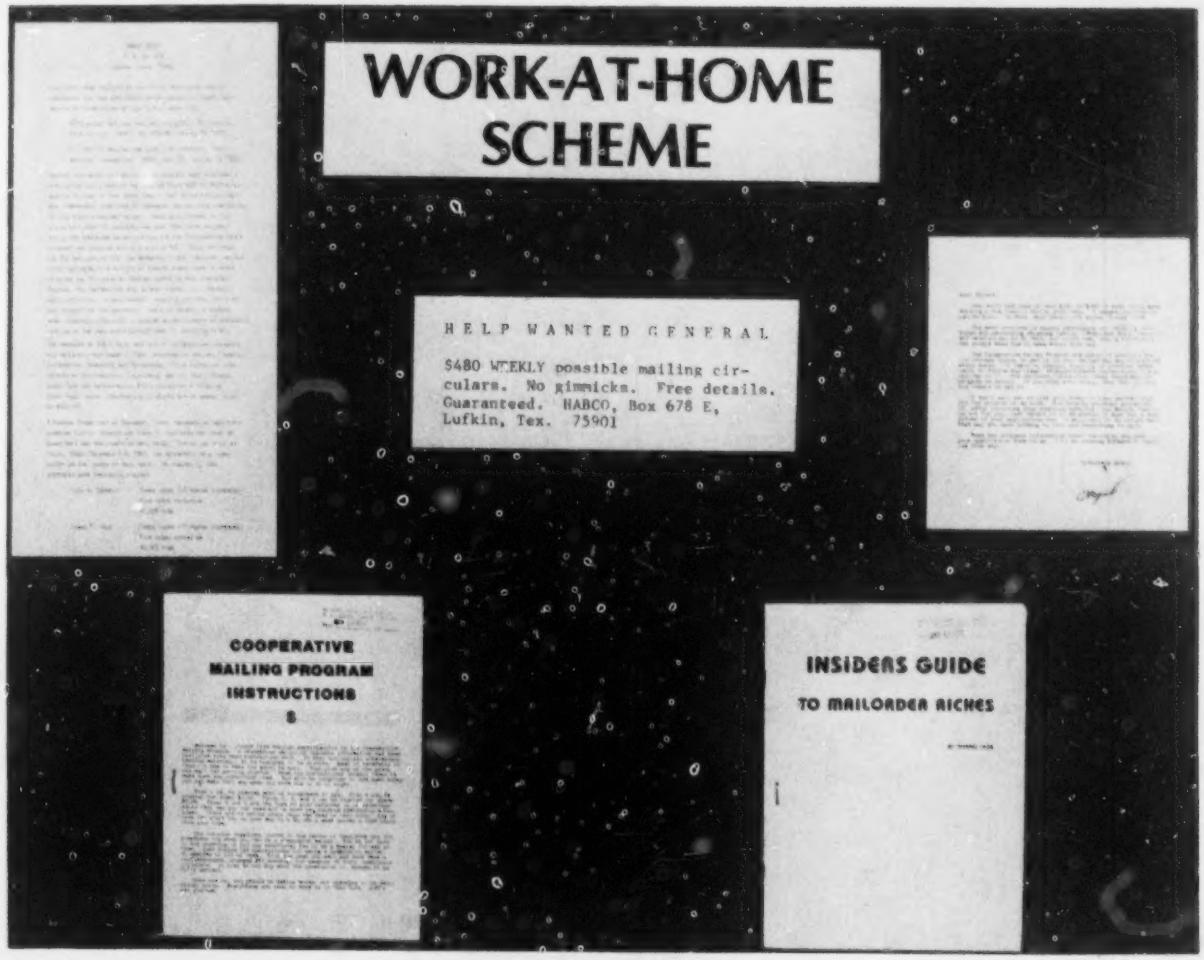
No one received any envelopes to address and stuff, nor did they receive a weekly paycheck. What they received for their $12 was a booklet, such as the one displayed here, which explains how to make money in mail order by being a distributor for his company. This required the placing of classified advertisements similar to the ones which enticed them to invest and mailing circulars soliciting additional people to join the pyramiding fraud scheme. In other words, do unto others as he did to you. False representation orders have been issued against his promotions.

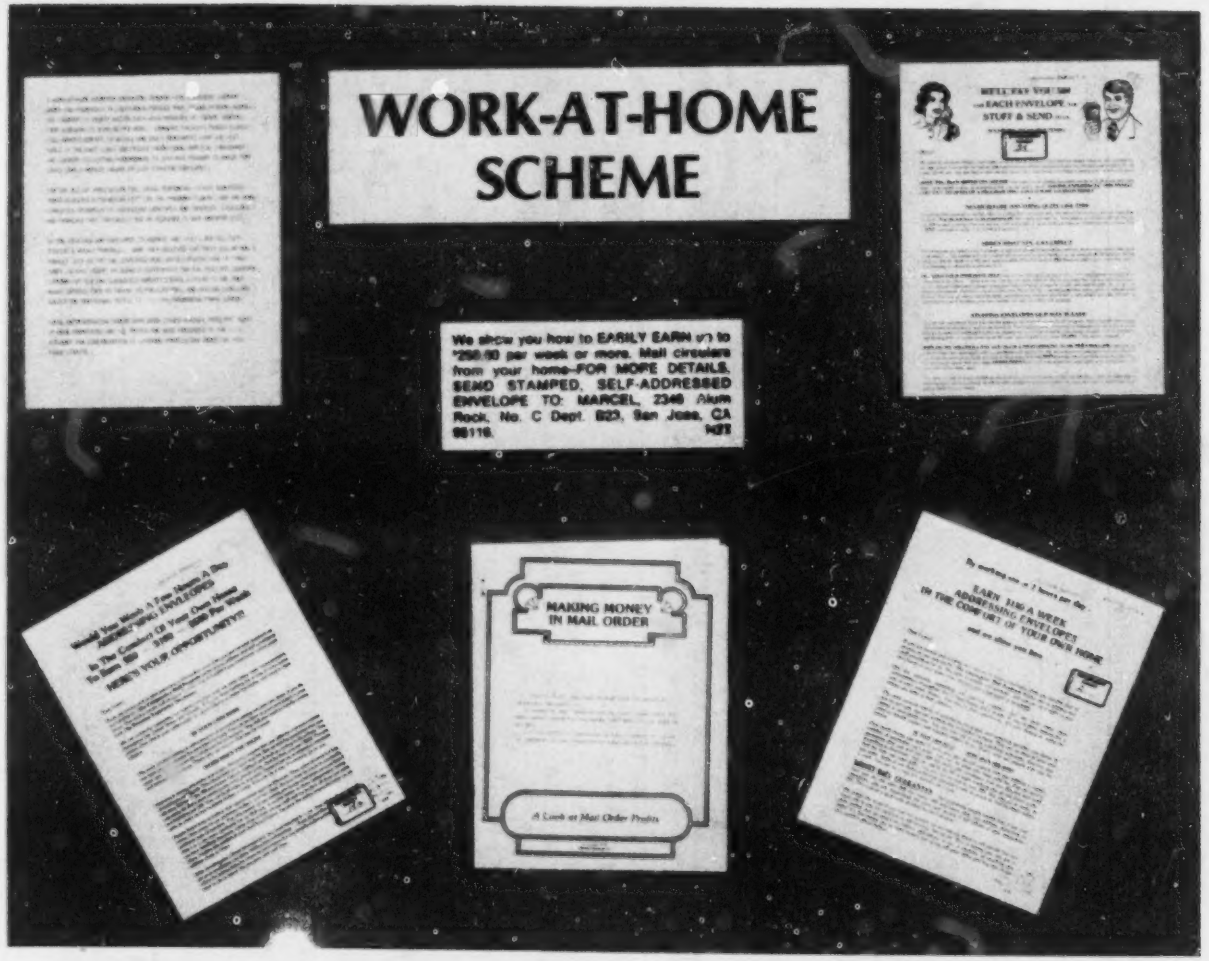
In yet another case, an Ohio-based work-at-home promoter was sentenced on April 16, 1981, to 2 years in prison for defrauding 10,000 people out of over $200,000.

Although the monetary investments individually are small, the number of victims and the total moneys lost in work-at-home schemes are very substantial.

Another growing problem area which affects the elderly is in the broad spectrum of investment swindles. This involves a variety of schemes, including franchise and distributorships, investments in coins, gems, stocks, land sales, and a host of others.

A typical distributorship swindle involved the sale of jewelry franchises, with its base of operation in Hartford, Conn. Investment Services International was formed by Brad Kniedl and Raymond Morrissey. They hired sales representatives to travel across the United States in response to advertisements they had placed, conning people into investing in their distributorships by painting glorious pictures of high profits and money-back guarantees.


WORK-AT-HOME
SCHEME
HELP WANTED GENERAL
$480 WEEKLY possible mailing circulars. No gimmicks. Free details. Guaranteed. HABCO, Box 678 E, Lufkin, Tex. 75901
COOPERATIVE
MAILING PROGRAM
INSTRUCTIONS
INSIDERS GUIDE
TO MAILORDER RICHES


WORK-AT-HOME SCHEME
We show you how to EASILY EARN (+) to *250.00 per week or more. Mail circulars from your home--FOR MORE DETAILS, SEND STAMPED, SELF-ADDRESSED ENVELOPE TO: MARCEL, 2348 Alum Rock, No. C Dept. 823, San Jose, CA 95116.
MAKING MONEY IN MAIL ORDER
A Look at Mail Order Profits

For an investment of about $3,500, victims were told that they would receive 5 jewelry showcases, each containing 100 pieces of fine costume jewelry. The showcases would be placed in good, high-traffic locations, guaranteed to produce 100 sales a week.

Victims were shown photographs, like the ones here, depicting showcases and jewelry they would be receiving. As you can see, they are very impressive—so impressive that at least 160 people invested $600,000 in this phony enterprise in 6 short months it was in operation. About 30 percent of those, Senator, were elderly people.

After closing down Investment Services International, Kniedl and Morrissey then started similar schemes, independent of each other, using the same sales techniques but different products. In a little over 1 year, some 400 people throughout the country lost $1.6 million on those swindles.

Kniedl and Morrissey were convicted and received sentences ranging from 18 months to 2 years in prison, 10 other people were also indicted for their involvement in these operations. To date, eight of those people have been convicted.

Another investment swindle was carried out by the Progressive Farmers Association, an investment corporation formed in the State of Missouri by Russell Phillips. Phillips allegedly organized the corporation to raise working capital for a new type of cooperative which would bring farmers and consumers together, eliminating the middleman, and would raise crop and livestock prices while cutting food prices.

To raise capital, Phillips sold securities known as estate builders to individuals, the majority of whom were retired or semiretired farmers. Salesmen conned people into investing their savings with promises of doubling their money. These investments were to be used to establish farmer cooperative markets throughout Missouri.

However, none of the markets were opened. Instead, the promoters used the money to pay themselves exorbitant salaries and for investments in their own other personal enterprises. In 1977, they filed bankruptcy, but not before they had convinced 6,000 people to invest $12 million in this venture.

One 72-year-old man invested $70,000. Another elderly farmer who invested approximately $50,000 committed suicide as a result of his lost investment. A Federal grand jury indicted 22 individuals on 175 counts of mail fraud and other statute violations. And in August 1980, 12 pleaded guilty after a 10-month trial—certainly one of the longest trials in the history of the Inspection Service—Phillips, and the remaining defendants, were found guilty.

Prior to sentencing, Phillips, the mastermind of this operation, spoke for nearly an hour in his own behalf in an attempt to explain to the court the business failures of the corporation and how he never intended to cheat anyone. After hearing Phillips' comments, the sentencing judge stated that it was now evident that Phillips could not be rehabilitated and sentenced him to 15 years in prison, with 5 years' probation, and a fine of $20,000. The other defendants received sentences ranging from 5 to 10 years in prison. And I must say, Senator, we have seen an encouraging trend to some stiffer sentences in the white-collar crime area.

DISTRIBUTORSHIP
SWINDLE

NEWS

A sophisticated land investment swindle was carried out by L.T.P. Properties, Inc., of DeBary, Fla. Through direct mail solicitations, newspaper advertisements, and personal contact, 507 individuals, almost exclusively elderly, lost about $6.2 million in this promotion. They used glossy photographs depicting a golf course, boating, horseback riding, and other unfulfilled promises to induce these individuals to invest.

They were given guarantees of 12-percent annual interest and alleged first mortgages on specific lots in the development. Little did they know that their mortgage was frequently subject to a prior mortgage, a mechanic's lien, a lease, or that the mortgaged lot was on the bottom of a lake, on top of a sewage plant, or part of the golf course, and that the paved roads were little more than footpaths plowed out by a bulldozer.

Lorraine Huber, a quadraplegic, formerly of Forest Hills, N.Y., was one of the victims. She lost $21,000 of her deceased father's retirement money—money he had received from 42 years with the New York City Police and Fire Departments to insure the future of her 82-year-old mother and herself. Now, Ms. Huber is losing her home because of this swindle.

Another victim, Dr. Martin Skowronski, survived the concentration camp at Dachau, but $15,000 he received in reparation was lost to these con artists. The promoter of this scheme started serving a 7-year sentence last September.

A firm calling itself the National Worm Growers Exchange, in Tennessee, placed ads in numerous newspapers throughout the United States and Canada soliciting individuals on retirement or fixed incomes to raise earthworms in their backyards—just another variation of a work-at-home scheme.

Interested customers were told by National Worm Growers sales representatives that because of an earthworm's many uses, earthworms were in huge demand and that the National Worm Growers Exchange desperately needed growers to help satisfy the overwhelming market.

Victims were promised that very little work was required; that earthworms multiplied so rapidly that they practically grew by themselves and that the National Worm Growers Exchange was ready to buy back all the worms at a large profit to the grower.

For an initial investment of $2,500, victims received 30 pounds of worms, some newsletters acclaiming the many successes of worm farms, and an earthworm cake recipe, and that is all they received. Over 2,000 victims lost $3.5 million on this scheme. The five individuals responsible for the scheme were sentenced last year to 3 years in prison, with probation ranging from 3 to 5 years.

A similar promotion occurred in Tucson, Ariz., except instead of offering worms, this operation involved the growing of houseplants. Called Tom Thumb Plant Centers, these promoters placed advertisements in newspapers throughout the Southwest offering earnings of $9,000 to $20,000 a year to individuals willing to grow houseplants for their centers.

$90 Million Project
Underway At DeBary
THE SWALLOWS
NEWSLETTER
Plans Announced For $90 Million
Residential/Recreation Community

PHONY WORM FARM
FRANCHISE
NATIONAL
PROFIT
RAISING EARTHWORMS
PERHAPS YOU CAN BECOME A WORM GROWER
ACT TODAY! SEND FOR YOUR FREE BROCHURE!
NATIONAL
Member-Shipper

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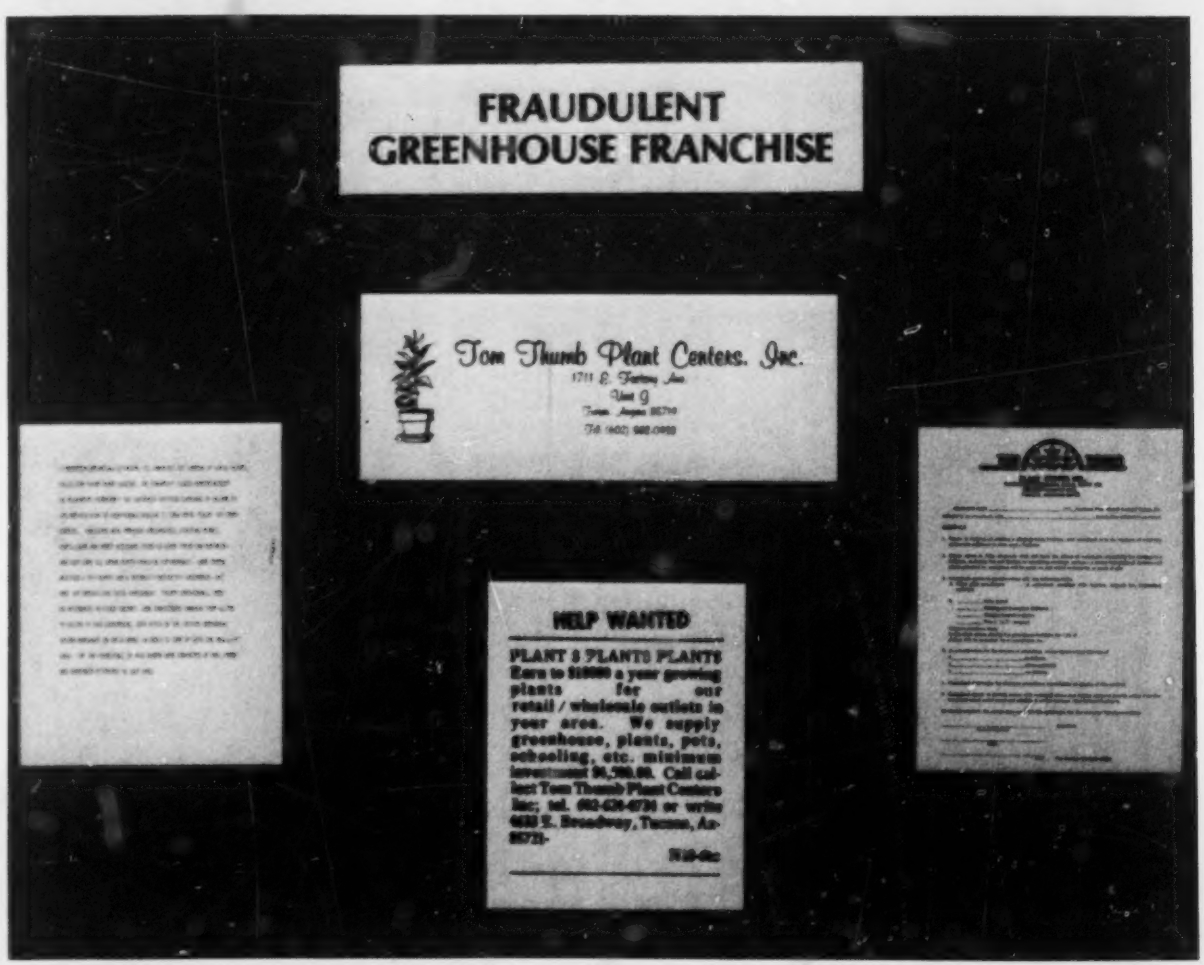
FRAUDULENT
GREENHOUSE FRANCHISE
Tom Thumb Plant Centers, Inc.
HELP WANTED
PLANT $ PLANTS PLANTS
Earn to $ a year growing plants for our retail / wholesale outlets in your area. We supply greenhouse, plants, pots, schooling, etc. minimum investment $. Call collect Tom Thumb Plant Centers Inc; tel. 602-[illegible] or write [illegible] S. Broadway, Tucson, Az. [illegible].

Investors were promised greenhouses, starting plants, fertilizers, and other items necessary to start their own business, and also that all grown plants would be repurchased. Some people received a few plants, but most got nothing for their investment. Most on retirement or fixed incomes, 30 individuals made investments ranging from $3,700 to $9,250 in this enterprise, with a few of the victims obtaining second mortgages on their homes in order to come up with the necessary cash. The two principals in this scheme were convicted of mail fraud and sentenced to prison in July 1981.

As you can see, the variety of fraudulent schemes is seemingly endless. I pointed out earlier that the Postal Service is encouraging use of the mails to shop, and we therefore feel very strongly about our obligation to keep the mails as free from abuse as possible.

The percentage of phony mail order promotions is small when compared to the vastness of the total mail order industry, but substantial dollar losses and cost in terms of human suffering deserves our very best attention.

Mr. Chairman, it has been a pleasure to report to you the efforts of the Postal Service to combat these crimes against the elderly, and I would be happy to respond to any questions.

Senator HEINZ. Chief Fletcher, thank you very much. That is an absolutely remarkable compendium of examples, and I am sure it in itself only scratches the surface of what you have seen.

Mr. FLETCHER. Indeed.

Senator HEINZ. I was delighted to hear that there seems to be a trend toward stiffer sentences. Frankly, the kind of people that are preyed on by these people, I think, deserve to be protected for just as long as possible, and it goes beyond just a couple of years or a slap on the wrist.

I was struck by the fact that in nearly every instance where the perpetrator was apprehended by you and put away—caught and put in jail—they had nonetheless succeeded in almost every instance in deriving a very substantial profit; they made a lot of money—hundreds of thousands, and millions of dollars in some instances.

One of the things I wonder about is whether we could not do a better job of getting these people before they have bilked people out of their life savings, like the $15,000 in reparations to the survivor of Dachau.

Senator Pryor and I have introduced a bill, S. 1407, the Postal Service Amendments of 1981. That bill is designed, we hope, to give you the tools—subpena power and other powers—to allow you to get to the swindler before he gets the money back and starts making these horrendous profits off of the elderly and the trusting and the unsuspecting.

Do you have any comments you would like to make on S. 1407?

Mr. FLETCHER. Yes, Senator. I think the bill will greatly help us. One of the basic problems with a lot of these schemes is that they are extremely lucrative and there is not a heck of a lot of hazard in some of them.

Time is of the essence in these types of promotions. Every day that goes by, more mail is received and somebody else is swindled.

And I think that the bill that you have introduced will help us greatly in this regard.

One of the problems we have in our investigations, particularly in the medical fraud area, is the time it takes us to obtain the product so that we can get a medical opinion or have the appropriate laboratory tests on it. It is often a part of the scheme that the promoters will delay; there is a built-in delay of a couple of months in sending the product.

Your bill will enable us to go to the promoter, and upon tendering the retail price, get the product immediately, and that will cut a substantial number of weeks off of the product itself.

If there are claims made in connection with the product that there is medical testing or that, you know, this has been successful in Finland, or someplace like that, we can, through the subpena power, make a written demand on them and receive the backing that they are relying on.

The bill also makes failure to either furnish us the product or furnish us the written evidence a prima facie case for going into the district court and getting a restraining order so we can hold the mail and prevent people from being swindled.

It also puts a lot of hazard into this thing. One of the problems we have—and Ms. Knauer referred to it in her testimony—is that it is so easy for some of these promoters, after we get on their case, to change the promotion slightly—change their name or change their address—and we have to start all over again.

If we obtain a false representation order under your bill and an attempt is made to evade the order, which is what they are doing, there is a very substantial penalty here of $10,000 a day for doing it. I think that will be very, very helpful to us in putting these people out of business.

Senator HEINZ. Chief Fletcher, thank you.

I have a letter, just to bring this home to the people in this particular State, from a constituent of mine. I received this letter a little less than 1 month ago, on July 9, 1981, from Frank Robison. He is a retired police officer; he is 74 years old.

He sent me an ad called the Amazing Hidden Money Secret of the Social Security Department.[1] I am surprised that someone did not send it to me as chairman of the Aging Committee, because we are trying to solve the financial problems of social security.

But this was sent to Mr. Robison and he wrote me a note which basically said, Is this on the up and up? Some checking should be done on it at once. So, we did. I have sent this to Chief Fletcher, and I know he is familiar with it.

Chief Fletcher, Mr. Robison wanted to know if this ad was legitimate. What do you know about it?

Mr. FLETCHER. Well, it is not legitimate. We are very familiar with the Liberty House Publishing Co. in Fort Lee, N.J., that has advertised that. We have had this particular publication under investigation. We filed a complaint against it in June,[2] and there will be a hearing before an administrative law judge on a fraud order in August.

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[1] See appendix, page 86.
[2] See appendix, page 87.

Since 1979, there has been a whole variety of similar type publications put out by Liberty House, all on that same sort of theme that there is a lot of money in the Government and nobody knows about it and how to get it. They use such titles as "Amazing Lost Money: The Secret of the U.S. Government," "U.S. Government Cash," "171 Ways To Get Cash From Uncle Sam," and this sort of thing.

Essentially, it is the same story over and over again, using a little different program. Again, Senator, I think with the bill that you have introduced, this would be considered evading it and we would be able to do a lot more in phasing this out.

Senator HEINZ. Well, in this instance, you just mentioned that this operator has lots of schemes like this.

Mr. FLETCHER. Yes.

Senator HEINZ. It sounds like he has got a new one every day. Now, are you convinced that S. 1407 will really stop people like this from going about getting people's money 101 different ways? Once you catch them once, will you be able to stop them?

Mr. FLETCHER. Yes; again, there will be a $10,000-a-day fine, and that takes the lucrativeness out of these activities.

Senator HEINZ. I assume you have got plenty of examples of repeat offenders, and could I ask that we put them into the record, to the extent you can furnish them for us? [1]

Mr. FLETCHER. Yes.

Senator HEINZ. As a concluding question, Chief Fletcher—and I think your testimony has been illuminating; it has been really shocking to see how many people there are out there that are, on a daily basis, trying to separate people from their hard-earned and difficulty-saved money.

Let me ask you this: So that people will be better protected against these kinds of frauds, what could you tell them so they can better protect themselves?

Mr. FLETCHER. Well, when you see one of these advertisements or you are approached by somebody with one of these schemes where, as Virginia said, it sounds too good to be true and it probably is, exercise an enormous amount of caution on these things; get some help from somebody else—a lawyer, your accountant, or a friend. Have somebody else look at the scheme and look at the proposal, and just be very, very wary about giving your money to something that you really are not sure is going to produce what it says. Be very, very cautious.

Senator HEINZ. Chief Fletcher, thank you very much.

Mr. FLETCHER. Thank you, sir.

Senator HEINZ. I now want to recognize and call on our next witness, Carlon O'Malley, who is a highly qualified U.S. attorney. He was appointed in 1979—I think it must have been earlier than that, actually; it seems like it was longer ago than that, Carlon—for the middle district, which is this district, in Pennsylvania. He had served prior to that for 8 years as an assistant U.S. attorney, and also had a great deal of experience as a trial attorney in private practice.

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[1] Not received at time of publication.

I know Mr. O'Malley personally because I was privileged to consent and advise to his nomination. I think he has done a superb and excellent job in carrying forth his responsibilities as U.S. attorney in the middle district.

Carlon, we are delighted to have you here. Would you please proceed?

STATEMENT OF CARLON M. O'MALLEY, JR., SCRANTON, PA., U.S. ATTORNEY, MIDDLE DISTRICT OF PENNSYLVANIA

Mr. O'MALLEY. Senator, thank you very, very much for your kind introduction. I am really very flattered by your remarks.

Senator, I would like to pretty much confine my remarks, if I may, to the experience that I have had here in the middle district of Pennsylvania, which, as you know, encompasses 32 counties of the State. We have the largest geographical area in the State from the standpoint of our judicial district.

During the 2-plus years that I have served as the U.S. attorney, and certainly during the 8 years that I served as an assistant U.S. attorney in the 1960's, I have had substantial exposure to some of the fraud that has been perpetrated on the citizens of our communities.

I have found that frequently the elderly are easy victims of con men and swindlers, who are usually extremely bright and operate very sophisticated and highly deceptive schemes in order to bilk innocent, unsuspecting individuals of substantial sums of money.

The elderly appear to be most susceptible because of their desire to attempt to become secure financially in the retirement years of their lives. Possibly because of that strong desire, they are more gullible and more prone to believe that the corrupt individuals who are interested in making a fast dollar are dealing with them on the level.

Frequently, elderly victims will invest the bulk of their entire life savings in fraudulent schemes, in the hope of insuring their financial security and, in many cases, in our experience, have found themselves financially destitute.

Although frequently the fraudulent schemes are not directed primarily at the elderly, the results usually reflect that the majority of the victims are either close to or at retirement age.

Some typical cases that we have had and dealt with here in the middle district of Pennsylvania where the elderly have been defrauded of substantial sums of money would be in the land fraud cases, which are generally schemes involving representations as to the development of land sites, generally representing second homes, retirement homes, or vacation homes, in which the developer will represent that innumerable amenities will be provided, such as roads, pools, lakes, hiking trails, sewerage facilities, and many other recreational facilities, and either directly or impliedly suggest that the value of the victim's home will greatly appreciate as the amenities are completed.

Our experience has shown that in many such real estate developments, the amenities are never completed. The development is never completed to its full potential, with the result that the land value is greatly reduced and frequently rendered almost worthless.

The Evergreen Lakes Estates, the Thornhurst Lakes Estates, and the Valley of the Lakes are typical examples, which represent almost 1,000 victims, the vast majority of which were elderly.

In the so-called commercial fraud cases that generally involve offers by the criminal to the public to buy anything from clothing to automobiles to stocks and securities at discount prices, substantial efforts are put forth by the con men and the swindlers operating these schemes to convince the public that they are going to be able to save substantial sums of money or increase their holdings through their investments.

One such case involved one Robert Kelly, who operated what was known as the Savers Club, offering merchandise at discount prices and representing that an individual could buy anything from a pair of gloves to an automobile. He obviously was never able to produce as he represented and, as a result, approximately $400,000 was secured from several thousand victims, again mostly elderly.

John Henry Didler was prosecuted and convicted in this district and was engaged in a "ponzy" type of scheme. He represented almost exclusively to older people, that in return for a $10,000 investment, they would receive $54,000 in the future, and he also represented to them that the appreciation on their $10,000 would be tax-free.

He represented to his victims that he had very substantial real estate holdings and that the reason he was able to pass off massive profits was because of his desire to acquire tax benefits. None of his representations were true, and it is estimated that Mr. Didler bilked his victims of almost one-half million dollars.

Another type of fraudulent scheme finding widespread use in this district has involved counterfeit coins and altered coins. Five individuals have been convicted in this district for selling counterfeit, altered, and worthless coins for large sums of money to thousands of people through the United States.

The total amount which people have been defrauded of will probably never be known, but the five individuals who have been prosecuted locally have grossed in excess of $10 million.

The present economic conditions which exist in this country today probably serve to create a better opportunity for swindlers to obtain money by misrepresentation. For example, the high interest rates that we are experiencing today aid the advanced fee swindler, who offers loans at extremely low interest rates, asks for an advanced fee from the would-be borrower which will purportedly secure the loan commitment, and then absconds with the advanced fee money.

Probably the most insidious of all schemes in which the elderly have been victimized is the recent absentee ballot vote fraud case prosecuted in our district, in which 11 individuals were found guilty, including 5 councilmen of a 7-man council from the borough of Plymouth, Pa.

The elderly victims in that case were generally intimidated by suggestion, either directly or veiled, that the assessed value of their homes were going to be increased, resulting in higher taxes, and that they, or members of their family would be denied admittance to nursing homes or to housing for the elderly, and in at least one

case, a threat of deportation if the corrupt politician was denied the right to vote the absentee ballot.

There are many other variations of fraud against the elderly and a substantial number of pending cases in our district which I am not at liberty at this time to discuss in any detail but which are being pursued.

I do not mean to imply, Senator Heinz, that all land developers, coin dealers, discount merchants, and investment brokers should be painted with the same brush as those whom we have dealt with and prosecuted. But I would again subscribe to the observations of Chief Fletcher and yourself that the public must be wary, must ask questions, and must take every step that is available to them to determine who they are doing business with and how legitimate they are.

I believe that the law enforcement agencies charged with the responsibility of investigating the fraud of which we are talking about are doing an outstanding job, and wish to assure you that the office of the U.S. attorney has in the past and will continue to vigorously prosecute those who would victimize the elderly of our communities.

Thank you for the opportunity to appear before your committee.

Senator HEINZ. Attorney O'Malley, thank you very much for some excellent testimony. Let me ask you two questions.

In your experience, are there any particular groups or categories or types of elderly who seem to be more susceptible to schemes of swindlers to illegally and fraudulently acquire their money or their property?

Mr. O'MALLEY. In my judgment, Senator Heinz, probably the class or group of people who are most susceptible are, generally, elderly widows. I think that probably the reason for it is that their primary responsibility for years in life has been to be mothers and homemakers, and when they are unfortunate enough to become widowed, they are not equipped to deal with the financial affairs of not only themselves but their families.

I think that because of that, they are more susceptible to being victimized by the swindler, and we have seen that repeatedly here in our district and I am sure throughout the country.

Senator HEINZ. Is there any way in which other Federal investigating agencies, be it the Postal Service or the FBI, or any other cooperative law enforcement agencies, could do a still better job? You said you thought they were doing a fine job. Is there any room for improvement?

Mr. O'MALLEY. Well, certainly, Senator Heinz, there is room for improvement.

I honestly do not believe it is because of the quality of work that is being performed by all of the Federal investigative agencies. I have, very candidly, the greatest respect for each and every Federal investigative agency.

They could be doing more if they had more manpower available to them, obviously, and if they had greater resources. Certainly, that has to be balanced with President Reagan's approach from the standpoint of the budget cuts that obviously are also very necessary.

I can assure you that not only are the postal inspectors here in our district extremely active in this area, but our experience has demonstrated that the FBI, the Secret Service, the Treasury Department, and all of the investigative agencies are doing an outstanding job and, where appropriate, doing an excellent job in joint investigations, so that one agency is not attempting to steal the show, if you will, from the standpoint of an investigation. They do an excellent job of cooperating among themselves and with our office.

Senator HEINZ. Well, thank you very much, Attorney O'Malley.

Ms. Knauer, Chief Fletcher, and Attorney O'Malley, you have been an outstanding panel of witnesses. I think that the people who have seen this and will read about this will be much wiser and much more effectively on guard. As a result, the public, will be better protected because of the time and effort you have put into your testimony and into the insights you have given us all here today. I thank you very sincerely.

I extend that thanks not only personally, but on behalf of all the members of the Special Committee on Aging, who are equally interested in this subject. Thank you very much.

Mr. O'MALLEY. Thank you, Senator. [Applause.]

Senator HEINZ. The next witness is Hap Seiders. Would he please appear?

Mr. Seiders, would you state your name, please?

STATEMENT OF HAP A. SEIDERS, ACCOMPANIED BY HARRY MONTVILLE AND DAVID SICCH, FEDERAL MARSHALS, HARRISBURG, PA.

Mr. SEIDERS. I am Hap Seiders.

Senator HEINZ. Would the gentlemen on either side of Mr. Seiders please introduce themselves?

Mr. MONTVILLE. My name is Harry Montville; I am a Federal marshal from Harrisburg.

Mr. SICCH. My name is Dave Sicch; I am a Federal marshal from Harrisburg.

Senator HEINZ. Mr. Seiders, I am going to ask you some questions for the record. What is your age?

Mr. SEIDERS. My age is 28.

Senator HEINZ. Where were you born?

Mr. SEIDERS. I was born in Harrisburg.

Senator HEINZ. Are you a convicted felon?

Mr. SEIDERS. Yes, I am.

Senator HEINZ. Are you testifying here today completely voluntarily?

Mr. SEIDERS. Yes, I am.

Senator HEINZ. Is it true that our only agreement with you here today is that at the end of your testimony, we will send to your file a letter simply stating that you have cooperated with this committee?

Mr. SEIDERS. That is correct.

Senator HEINZ. No other deals have been made for your testimony; is that true?

Mr. SEIDERS. That is true.

Senator HEINZ. Would you please tell us a little about where you went to school and what you studied?

Mr. SEIDERS. Well, I was raised in New Bloomfield, which is a rural area up in Perry County, and I attended West Perry High School. For the most part, after about the sixth grade, I just sort of coasted through the rest of school with, you know, really little or no interest in the academic studies.

Upon graduation, I finally sort of got things together for the future and I attended computer programing school and subsequently became a computer programer.

Senator HEINZ. You were arrested, detained, and adjudicated as a juvenile delinquent?

Mr. SEIDERS. Yes, I was adjudicated as—well, I was incarcerated for about 10 months when I was 16 years old on just some juvenile charges, such as burglary, and so forth.

Senator HEINZ. What kinds of people did you meet while you were in detention or incarcerated? What did you learn there?

Mr. SEIDERS. Well, when I was incarcerated, as I said, I was a country boy, more or less, and I was incarcerated with criminals from pretty much all over Pennsylvania. Most of them were from the city, like from Philadelphia, and so forth. You know, I was living in a much more criminal element while I was incarcerated.

Senator HEINZ. How many burglaries were you involved in as a youth?

Mr. SEIDERS. Over a period of a couple of years, I probably committed about 50 burglaries, or so, some of them being very small.

Senator HEINZ. Were these burglaries against people's homes or against businesses?

Mr. SEIDERS. Strictly against businesses.

Senator HEINZ. After leaving the corrections facility, did you, sometime later, get married, have a child, and pursue a legitimate career as a computer specialist?

Mr. SEIDERS. Yes, that is correct, right after I graduated from 12th grade. One thing incarceration did for me, it got me more interested in my academic studies at school to sort of prepare for the future, although I think that the stage I went through as a burglar, or whatever, was something I may have grown out of anyway.

In later years, my trustworthiness in the coin business, and so forth, was greatly respected, and many times I did deals of $50,000 or $100,000 just on my word, without any signed contract or anything.

Senator HEINZ. Approximately how much money were you making as a computer specialist?

Mr. SEIDERS. When I started out as a computer trainee, my take-home salary was $77 a week, which was, I guess, in 1972.

Senator HEINZ. Did you at that time have a hobby of collecting rare coins?

Mr. SEIDERS. Yes; I collected rare coins since I was about 8 years old, and although my finances were extremely limited, I did read, on occasion, about them and I was able to afford a very small collection.

Senator HEINZ. Did you have a legitimate business involving coins?

Mr. SEIDERS. Yes; while I was a computer programer, my knowledge of business grew, and I was eventually promoted to a systems analyst, and then I was director of data processing for a small firm. Of course, I was in contact with all aspects of how business operates, and so forth, which can be a little mysterious if you do not know about it.

From the experience I gained there, I was dealing coins part time a little bit. I worked in computers for about 2 years, and I saw that I was making $50 or $100 a week, part time, in coins. From the experience I gained, I knew how to operate a business, and so forth, so I finally got the courage to give up my job and get out on my own in business.

Senator HEINZ. And that was because you saw that your legitimate coin business was becoming or could become more profitable than what you were earning?

Mr. SEIDERS. Yes, that is absolutely right; yes.

Senator HEINZ. While working in coins, did you become acquainted with counterfeit coin dealers?

Mr. SEIDERS. Yes; about a year or so after I was in business full time, I found that several coin dealers which I dealt with handled counterfeit coins.

Senator HEINZ. Can you explain how you got involved with counterfeit coins and what motivated you?

Mr. SEIDERS. Well, the motivation at that time was to increase my profit, obviously. I was, you know, sort of apprehensive about swindling anybody like that at the time. Of course, I was inexperienced and did not know how people would react to knowing that they got a counterfeit coin.

But at that time, I sort of justified it because I felt that I was only swindling the wealthy, and so forth, because usually coins is an area of collecting or entertainment. And I felt that people had the money to put into that; that it was, in fact, extra money which, you know, they would lose elsewhere, or whatever.

Senator HEINZ. You did not feel any guilt about what you were doing?

Mr. SEIDERS. I think initially I felt guilt, but then it took me a few months to justify in myself that I was not really hurting anyone and that it was not, in fact, a crime. You know, I equated it with many things. For instance, if I bought a new car, as soon as I drove it off the lot it was worth half the price; I figured I was getting swindled there equally as these people were getting swindled, and the same way with the chunk of money they take out of your paycheck, and so forth.

Of course, taxes are necessary, but I equated it with that, and finally justified it to myself that it was the right thing to do, along with many of my competitors in the coin business who were doing it.

Senator HEINZ. In 1978, at the height of your business, how much did you gross?

Mr. SEIDERS. Our gross income in 1978 was about $3 million.

Senator HEINZ. $3 million?

Mr. SEIDERS. Yes.

Senator HEINZ. Can you identify these coins, please? Are those the ones that you used? [1]

Mr. SEIDERS. These are certain coins which I did deal in.

Senator HEINZ. And is this the ad that you used with those coins? [2]

Mr. SEIDERS. Yes; around 1976, I started a direct mail—I acquired a mailing list through advertisements, and I started a direct mailing which I mailed out, because my advertising privileges in the coin journals had been suspended.

Senator HEINZ. So, between 1976 and 1978, you built up a $3-million-a-year business?

Mr. SEIDERS. Yes.

Senator HEINZ. What did you do with all that money?

Mr. SEIDERS. Well, obviously, $3 million gross is a lot different than $3 million net profit. A lot of it went for——

Senator HEINZ. What was your net profit?

Mr. SEIDERS. It is really pretty hard for me to say; possibly, you know, several hundred thousand dollars, I guess.

Senator HEINZ. And you spent that money, I presume?

Mr. SEIDERS. Yes; I reinvested it. I lost a lot of money in various investments which I made later, such as the stock market. I invested it in other very small businesses—restaurants, and so forth—and, you know, I lost a lot of money myself. Of course, legal fees and litigation ate up a large chunk of it.

Senator HEINZ. You mentioned a minute ago that you had been banned from advertising in certain magazines. I understand that in 1975, your business was so good that you could not keep up with orders and that national magazines banned your advertising. Is that correct?

Mr. SEIDERS. Yes, they banned my advertising. For the most part, you know, the coin publications are very reputable and if a customer complains to them, they will, you know, thoroughly investigate the complaint. I had been getting numerous numbers of complaints because, for one thing, there were some complaints on the quality of my merchandise. But a bigger complaint was slowness in filling the orders because I was grossly understaffed and the business had expanded faster than I had anticipated. I just could not keep up with my orders and I started getting complaints for slow service.

Senator HEINZ. Mr. Seiders, you clearly have been very expert at what you do. You have been very successful in these fraudulent schemes involving counterfeit coins, and I suspect you have learned a lot about the people that have done business with you.

I would like to ask you to what extent you find the elderly different or special or easy marks for the con artist?

Mr. SEIDERS. Well, for one thing, the elderly usually have some money somewhere; either he has bought a house 20 or 30 years ago that has appreciated tremendously, or a spouse has passed away and he has collected insurance on that or cashed in life insurance, or what have you.

The elderly are not accustomed to spending or investing a lot of money throughout their lives, and then they come into this money

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[1] Retained in committee files.
[2] Retained in committee files.

toward the end of their lives and some fast-talking con artist will swindle them out of it because they have very limited, if any, business experience.

I do not know what the main reasons are; possibly they want to do something or they want to buy something for their children or their grandchildren. And, you know, subsequently they are an easy target.

Senator HEINZ. With your experience, looking at it from the standpoint of the elderly citizen, what would you recommend be done to fight the kind of fraudulent schemes that you were involved in?

Mr. SEIDERS. Well, overall, not just for the elderly, the biggest factor that I found that made it easy to swindle people was the emotion of greed. Usually, greed blinded their commonsense.

For instance, if I could expand a little bit here, I used to run what is known as a mail bid sale; I would list coins and the customers would bid on them. A lot of them would be anticipating getting a bargain, so they would bid below the wholesale price, or whatever. And then I would invoice them and they would get an invoice for their successful bids.

These people were so blinded by greed that they just could not get their money to me fast enough. I would have people call me up and wire me money and make sure that it was not a mistake; you know, they just wanted to get the money in as fast as possible.

So, greed is the biggest factor, and I do not know how that can be helped at all. Also, I used to change my name a lot. After I would get a lot of complaints and dissatisfied customers with one company, I would hire a front to advertise for me or send out another mailer. These exact same customers that had been swindled through me would be swindled by them, and then a few months later, they would be swindled by someone else. They just could not seem to learn.

But probably the best thing to do is just for the person to really take his time and analyze the deal. Today, there are so many consumer protection agencies available where a person can seek sufficient advice before closing on a deal; I think that in just about any area that a person would make a deal in, he can seek professional advice for a nominal sum of money. That is something that should be done.

A lot of times, the con artist will try to speed things up, forcing the person to make a decision before he or she has a chance to seek professional advice. And when you are dealing in subjective markets, such as coins, or anything like that—real estate, diamonds, and investment—you know, there is no fixed price set and a lot of times, 10 different people will have 10 different opinions on the price of a coin.

As a matter of fact, I recently wrote a book, which will be released this January, on how I became financially independent through subjective markets like that.

Senator HEINZ. You remain quite enterprising. [Laughter.]

Let me ask you this. There is in the plastic envelope there a 1799 silver dollar. To give people some idea, first, of what kind of attractiveness a fraudulent coin may involve, how much was the whole-

sale value, or at least was the wholesale value, at the time of that mail order circular?

At the time you were involved with it, what was the wholesale value of that silver dollar?

Mr. SEIDERS. As counterfeit or as genuine?

Senator HEINZ. As genuine. You were selling them as genuine?

Mr. SEIDERS. Yes; as genuine, this coin was worth around $5,000, if the coin was genuine.

Senator HEINZ. Now, what did you offer it for sale as?

Mr. SEIDERS. Well, again, I had the mail bid sheet, where people would submit bids on it. Now, a guy might see the coin and figure, "Well, it is worth about $5,000; I will bid $4,000 on it and try to make a grand," you know.

So, he submits a bid for $4,000.

Senator HEINZ. So, someone might send in $4,000; you would accept his bid.

Mr. SEIDERS. Right; I would accept his bid.

Senator HEINZ. And he would think he was making $1,000, which is called easy money.

Mr. SEIDERS. Absolutely. That is, again, the greed coming into play there.

Senator HEINZ. Now, the coin itself is quite convincing; it looks rather well-made. It has tarnished a little bit; it has turned several colors.

Mr. SEIDERS. Well, I artificially did that myself. I also had techniques to make a coin appear any way I wanted it to.

Senator HEINZ. How much did it cost you to acquire the counterfeit coin?

Mr. SEIDERS. These normally went for about $100 apiece.

Senator HEINZ. So, you could acquire a coin in this instance for $100. Its wholesale value was $5,000; you might sell it for $3,000 or $4,000, and the rest would be profit.

Mr. SEIDERS. Yes, that is correct.

Senator HEINZ. Let me ask, how long is your term, and how much time do you have left?

Mr. SEIDERS. Well, I was sentenced to 10 years initially, and the parole board has told me to do 6 years on it. I have 2 years in, with 4 years left. You know, for a crime that really did not hurt anybody, I do not see how they can justify my doing another 4 years. It certainly is not going to enhance my capacity to lead a law-abiding life.

Senator HEINZ. Mr. Seiders, I am not sure that I would agree with you that taking in $3 million a year fraudulently does not hurt people.

Mr. SEIDERS. Well, I was speaking as opposed to violent acts, which I have seen many of in prison.

Senator HEINZ. Mr. Seiders, thank you for your testimony.

Mr. SEIDERS. You are welcome.

Senator HEINZ. You are excused.

Our next panel, if they would please come forward, is attorney general for the Commonwealth, Hon. Leroy Zimmerman; the director of the bureau of consumer protection, Terry Lazin; the secretary of the Pennsylvania Department on Aging, Gorham L. Black, Jr.; and Laurence H. Brown, who is chief of the economic crime

unit in the Philadelphia district attorney's office, and he is also appearing, in particular, as the director of the National Association of District Attorneys' economic crime project.

I know that the attorney general has some other commitments this afternoon. I am going to ask him to testify and answer questions. Then he may be excused and we will proceed with the rest of the panel. He is going to put a lot of people in jail this afternoon.

Mr. Attorney General, I want to say something about you. I do not know of anybody who has a more distinguished record in public service law enforcement than you.

You have been district attorney for Dauphin County—this is your home county, we all know—for 16 years, four terms. I do not know; there may be somebody sometime to rival that record, but I do not know of anybody. You also have what I think is the well-deserved and extremely high honor of being the first elected attorney general of the Commonwealth of Pennsylvania, and I welcome you here as an absolutely distinguished public servant and as someone I have known, respected, and have had a friendship with for many years.

STATEMENT OF LEROY S. ZIMMERMAN, HARRISBURG, PA., ATTORNEY GENERAL, COMMONWEALTH OF PENNSYLVANIA

Mr. ZIMMERMAN. Thank you, Senator; thank you for those kind words and that very generous introduction. I thank you for the invitation to be here this afternoon on what I know you feel is a very important—and I share your concern—a very important subject.

As the first elected attorney general of Pennsylvania, I welcome the opportunity to testify at this hearing and to benefit from the testimony of others as it relates to the victimization of our elderly citizens.

On January 20, 1981, I took the oath of office as our Commonwealth's first elected attorney general. The privilege of serving carries with it the responsibility and rare opportunity to build, shape, and define a new office in Pennsylvania State government.

The office of attorney general is the major law enforcement arm of this Commonwealth. In shaping the new office of attorney general, I want to insure that our senior citizens, who are often least able to protect themselves, are not overlooked in the quest to provide public protection.

In my former position as district attorney for Dauphin County, referred to by our distinguished Senator, John Heinz, I served for 16 years and I observed firsthand the devastating effects of violent crime and economic frauds perpetrated against our senior citizen population.

My office aggressively prosecuted cases against those who preyed upon the vulnerable and against those who utilized force and violence to commit the biggest crime of all—the imprisonment of our elderly within their own homes.

Today, the elderly are immobilized by fear; they have been driven into hiding. They are afraid to leave their homes, terrorized by news accounts of muggings and physical assaults. Likewise, they are afraid to stay confined in their homes, horrified by the real possibility of burglaries and rapes.

Compounding the plight of the elderly further are the more subtle crimes—the ones less easily detected even by the victims, but nonetheless stunning in their impact and aftermath.

While the majority of businesses are legitimate and attempt to accommodate the elderly consumer, everyday senior citizens are victimized by unscrupulous individuals who utilize a variety of ingenious pitches to separate the elderly from their social security and hard-earned pension checks.

The myriad of possibilities for frauds against the elderly is limitless, be it phony work-at-home schemes or high-pressure door-to-door salesmen selling home repair services which are never performed; be it the fake charities which sell lightbulbs over the telephone to raise money for the blind, or the mail order health insurance companies who attempt to sell worthless policies as supplements to medicare plans.

The packaging of the scam will vary, but the con is always the same. Because of their isolation, the elderly are the least likely to obtain relief from the misdeeds perpetrated against them. They often do not know to whom they can turn for advice, for legal representation or for protection.

When confronted with the stress and strain of fighting for their rights in court, they often choose the course of least resistance—silence, for fear of further retaliation.

In molding the office of attorney general, I stand firmly committed to the eradication of crimes against the elderly, both violent and economic. While my office of criminal law stands ready to work with prosecutors and police to protect our senior citizens in fighting crimes of violence, our bureau of consumer protection stands firm as a watchdog of the marketplace.

Each year, the bureau of consumer protection handles more than 20,000 complaints of unfair business practices. Approximately one-fifth of all complaints are received from consumers over the age of 60.

Faced with this sizable outcry for help from our elderly, I have made the bureau of consumer protection a priority of my new administration. Just as the elderly have been targeted as an easy mark, the bureau has targeted those elements of the business community who would bleed the elderly, often without their knowledge.

The bureau will continue to sound the alarm on consumer fraud by educating our elderly consumers and arming them with a valuable weapon—knowledge of their rights.

Today, with me, I am pleased to present the director of the bureau of consumer protection in the office of the attorney general of Pennsylvania, Terry Lazin. Ms. Lazin is here and will testify, and will answer specific questions that you may wish to ask, Senator, or which may be directed to her from others.

Thank you for this opportunity to appear and to testify. I share your concern, that you have demonstrated ably, about all of the problems that deal with our senior citizens. Specifically, in my responsibility as attorney general and as the chief law enforcement officer of this Commonwealth, I share your responsibility in fighting economic crime as it affects our elderly citizens.

Senator HEINZ. Mr. Attorney General, before you leave, which I understand you will be doing——

Mr. ZIMMERMAN. I would be happy to answer some questions.

Senator HEINZ. Let me ask you one, or at the most, two questions.

There have, in recent years, been a number of initiatives suggested for action by the Congress for the compensation of victims of violent crimes. An argument for diminished Federal involvement in this area is that most criminal offenses committed against the elderly are State and local rather than Federal offenses, and therefore should be handled or, if you will, funded through State and local governments.

Now, I want to ask you since you are here—and I know I did not tell you I was going to ask you this question—but I would like to know whether you agree with that assessment or whether you believe there is a need for increased Federal initiatives in this area.

Mr. ZIMMERMAN. I think that there is a continuing need for Federal help in this area. I share the philosophy of many of my colleagues, attorneys general throughout the Nation, in demonstrating and articulating the need to the local governments and the State governments through the block grant concept, together with other areas of funding that I think are being considered now.

I think that the crime victim compensation plan has had, in some areas, a slow beginning and development in the States. At the present time, I call your attention to the fact that under the new Commonwealth Attorney's Act, the responsibility is no longer in the office of attorney general in Pennsylvania; it has been shifted by this new legislation.

But I think that we can address this problem more readily at the State level, but I think we continue to require the assistance of the Federal Government as we begin to build this program and to escalate it to a point where it can be more meaningful.

I think that victims of crime have been the forgotten persons in the whole equation. We have talked about the rights of defendants, and we have gone far, and properly so, in protecting those rights. The balance has shifted a bit too far the other way.

We have talked about improving the progress of law enforcement—police, prosecutors, and the courts. But the victim, once again, too frequently, has been the forgotten person in that equation.

Senator HEINZ. Mr. Attorney General, this fall, the Aging Committee is going to follow up on its involvement with Attorney General Smith's Task Force on Violent Crime. Crime as we all know, is on the rise. We will be digging in some depth into the issues as they affect the elderly and what we can do further in the area of violent crime.

I alert you to that now because if you are free, I have the feeling you would be an outstanding witness in that regard, and you clearly have a variety of very good and thoughtful ideas and observations that I think would enrich the committee. So, I want to bring that to your attention and extend to you an invitation at this time.

Mr. ZIMMERMAN. Thank you.

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Senator HEINZ. Let me ask you one last question, if I may, which is about your familiarity with the crime victims compensation board here in Pennsylvania. If you have had a chance now after these several months to be familiar with it, to what extent has it been successful in its work?

Mr. ZIMMERMAN. Senator, the Commonwealth Attorney's Act has taken from my jurisdiction directly any involvement in crime victim management or administration.

I think, frankly, as a prosecutor and district attorney for 16 years, in the last few years where we had the act in existence I found that one of the problems was a reluctance on the part of some of our law enforcement agencies to utilize the act, and sometimes an unawareness on the part of citizens that the act was there and available.

I know that Terry shares my concern in this area, and that to the extent we can make people better aware of the availability of this kind of help—and when I say people, I am talking about the wide spectrum, and the law enforcement community as well—I think we have a responsibility to do that, even though in Pennsylvania the direct responsibility is no longer the attorney general's.

In closing, Senator, let me say that the 6 or 7 months that I have been attorney general have been some very challenging and interesting times for me, and frustrating as well. But in putting into place this foundation, this new Office of the Attorney General of Pennsylvania, I am committed to placing in that foundation a strong commitment and concern at fighting violent and economic crime against our elderly, so that as I leave the office, my successors can pick up the thread and carry it where they must.

Senator HEINZ. Mr. Attorney General, I compliment you on the work you do; it is outstanding. Thank you for being with us.

Mr. ZIMMERMAN. Thank you, Senator. [Applause.]

Senator HEINZ. Ms. Lazin, you have been introduced not once, but twice.

STATEMENT OF TERRY W. LAZIN, HARRISBURG, PA., DIRECTOR, BUREAU OF CONSUMER PROTECTION, OFFICE OF ATTORNEY GENERAL, COMMONWEALTH OF PENNSYLVANIA

Ms. LAZIN. I will make it three times. My name is Terry Lazin. As the attorney general just noted, I am the director of the Bureau of Consumer Protection, which is part of the office of the attorney general.

In that capacity over the last 2 years, I have been an eyewitness on a daily basis to the limitless varieties of consumer frauds being perpetrated against our elderly citizens. Each year the bureau receives more than 5,000 outcries for assistance from elderly citizens who have been the subject of economic crime.

However, even this statistic is not reflective of the true scope of frauds against the elderly. It is estimated that only about 5 percent of elderly consumers who are ripped off never complain to a governmental agency. In large part, this reluctance can be attributed to a fear of retaliation. Unfortunately, this is just the kind of passivity that businesses bank on, literally, when they target the elderly.

One ingredient in the formula for fraud which makes the elderly the perfect prey is their isolation and immobility. The older consumer is a sitting duck for door-to-door salesmen and contractors, who entice them with promises of special or discount prices on home improvements, basement waterproofing, and roof repairs.

The typical scam works as follows. The contractor checks the obituary columns for victims, usually widows. They visit the consumer, pointing out some defect which requires immediate repair. The contractor then either demands a substantial downpayment or payment in full before the work is begun.

Typically, either the contractor never performs the job, uses shoddy materials, performs inferior work, or just totally skips town with the consumer's money. A case in point which I thought you would be interested in is Katherine Finnan. She is 85 years old; she lives in Plains, Pa. Her complaint was submitted to my bureau by a cousin because Mrs. Finnan is blind and recently widowed.

On July 7, Mrs. Finnan was at home; she was home alone. Two men came to her door and the men told her that they just happened to be passing by her house and they saw water leaking out of her basement. The men offered to coat the interior and exterior basement walls with an asphalt substance to solve this problem.

Mrs. Finnan believed them; she agreed. Three hours later, they came back, knocked on the door, said they had finished the job and gave her a bill. Being blind, she could not read the bill; she asked them to inform her of how much it was, and they said, "That will be $800, please." She was shocked; she was alarmed at the price. She told them she was blind; she could not write out a check.

She said she did not have any cash, especially $800 worth. So, they offered to write a check for her and have her sign her name. She agreed to this; she let them write out the check. Frankly, I think she was deathly afraid of them and what they might do if she did not agree.

Before leaving, they asked her not to tell anybody else how much she had paid, because they had kind of given her a discount, and they did not want their other customers to be angry with them. She agreed to this.

A few days later, a township inspector came to her house, looked at the job, and said, "Hey, lady, only one of your four basement walls have been waterproofed, and they did a lousy job at that, in addition to charging you an absolutely exorbitant price."

We are currently investigating this case. We run up against this same MO—phony license tags, no phone numbers, no place of business. This poor woman was only fortunate in one respect—her check was cashed for $800; it could have been a lot more.

While Mrs. Finnan was hit in her home by the phony contractor, others like her are hit on a daily basis outside their home. The elderly consumer who can escape the residence is still a walking target for the unscrupulous business.

Let me add, Senator, that lest anything I say here today be misinterpreted, the majority of businesses really try to do a good job; they try and assist the elderly. But you do have the unscrupulous people out there that give a bad name to the entire industry. I am a lawyer; I know there are bad lawyers out there. But I do

want to note that the majority of businesses do try and do an ethical job.

One characteristic which makes the elderly attractive prey is their susceptibility to diminishing health. They make decisions every single day that are shrouded in misrepresentations which affect their medical well-being.

One area that I have come in contact with in terms of fading health is the sale of hearing aids. The Bureau of Consumer Protection has handled numerous cases where senior citizens purchased hearing aids only to find out that the hearing aid malfunctioned, was more costly than originally was cited to the consumer, or after the time of the sale they find out that the hearing aid was not even necessary at all.

West Ear Electronics, a Pittsburgh hearing aid firm that we went after, sold hearing aids on a trial basis. Unfortunately, in their ads they forgot to disclose to consumers that the trial basis carried with it a significant fee that the consumer was obligated to pay once they used it.

We took legal action against that firm and we had them stop their false advertising.

Another firm, Better Hearing Aids of Johnsonburg, Pa., tried a different approach. Last year, we took legal action against the owner of that firm for selling elderly consumers two hearing aids—one for each ear. We brought in expert testimony that proved that in almost all of the cases, there was absolutely no benefit whatsoever to the second hearing aid which had been sold to the consumers.

Unfortunately, Pennsylvania law encourages the victimization of older citizens with hearing problems by providing a loophole in our law, and that allows for the consumer to waive a medical diagnosis. Thus, many citizens trying to save a few pennies will bypass their physician and put their faith and their dollars completely in the trust of walk-in hearing aid centers.

We stand completely committed to exposing the exploitation of our senior citizens and strictly enforcing those laws that are already on the books. In the last year alone, the Bureau of Consumer Protection has brought 20 legal actions against drug chains and pharmacies for violating the Pennsylvania generic drug law.

By law, pharmacists are required to affirmatively offer a cheaper generic substitute to consumers whose doctors permit, right on the prescription blank, such a substitution. What we found instead, however, was that many pharmacists not only failed to disclose this option to consumers, but they were switching consumers. They were selling them a generic without their knowledge, they were labeling them as a brand-name drug, and then they were charging the brand-name price.

This winds up with the elderly paying as much as 10 times more than they should have been paying under the law. In fact, the FTC recently came out with a study saying that if generics were more widely used on a nationwide basis and State laws were observed, it would save consumers $400 million per year just from drugs alone.

Last year, in another scheme to bilk the elderly, we went after an Erie County cemetery; we recovered $70,000. Their game was to sell grave markers, monuments, and cemetery plots to senior citi-

zens, and then unfortunately they never provided the grave markers, the monuments, or anything else that was bought. We put them out of business, and that is the end of that cemetery.

We have seen all kinds of scams with all kinds of twists. Last year, we filed legal actions against two different firms that sold hospital beds. Their game was to sell hospital beds to elderly consumers who would pay for them and the beds were never delivered.

We also halted the false filing and advertising practices of an ambulance service. And then one of the ones that was just amazing to me was a dentist that we went after in Allentown. His game was that he would advertise the sale of dentures at very alluring prices. When, in fact, the consumers would come into his office, he would take an impression of their teeth.

Unfortunately, as soon as the consumer left his office, he would throw the impression away. Instead, in his top desk drawer, he had three sets of dentures. The next time the consumer came back in, he would try the first set in their mouth and it obviously would not work; he would then try the second set, and then the third set.

He would say, "Well, obviously, we need to make some adjustments here." The only adjustment that, in fact, occurred was the adjustment of their bill, which kept getting higher, and higher, and higher. By the time the consumer figured out they were never getting a suitable set of dentures from this man, he refused to make any refunds. We have since, after 2 years, gotten his license revoked through the Department of State.

While the bureau has, through legal process, eliminated many frauds directed at senior citizens, the initiation of legal action on a case-by-case basis is a very slow, noncomprehensive process. As I said, in the last case it took 2 years just to get the license revoked of one dentist.

At best, we can only aim at legal actions which will put people on notice—in fact, put an entire industry on notice—that we are not going to tolerate this kind of crime against the elderly.

My bureau has also been very active in terms of consumer education and public awareness. We have done radio shows, TV shows, we have literature directly geared toward the elderly, and are now in the process of planning a program to try and train the people at the area agencies on aging to train other people on preventive medicine in this area.

Senator, I will just close by saying that I will be happy to work with you to try and implement anything that comes out of these hearings today which will help me do my job in a better way.

Senator HEINZ. Ms. Lazin, thank you. It sounds like you are doing your job very, very well indeed.

Let me at this point say that by unanimous consent, the testimony of Peggy Adams, the director of the Bucks County, Pa., Department of Consumer Protection, will be placed in the record. The testimony contains many interesting and thoughtful recommendations; some very illustrative examples of some of the kinds of things that have been found to be going on in Bucks County, and it appears to be a very helpful addendum to our hearing record.

I thank Ms. Adams for that testimony; it fits quite properly with your testimony, Ms. Lazin.

[The statement of Ms. Adams follows:]

STATEMENT OF PEGGY H. ADAMS

Senator Heinz, I commend you and your committee for holding this hearing on the important issue of "Frauds Against the Elderly." This issue is a serious one, and one in which my staff and I feel more education and stiffer penalties and laws are needed. This is especially true as our population over 60 years of age is increasing in numbers and becoming a higher percentage of our society than ever before. Inflation and higher unemployment are also increasing at an unprecedented rate thereby creating an atmosphere for fraud to flourish as never before.

My name is Peggy H. Adams. I am the director of Bucks County, Pa., Department of Consumer Protection (BCCP) and chief sealer of weights and measures. There are about 480,000 residents in Bucks County. Over 50,000 people are 60 years or older. One-tenth of this population lives on income less than $3,403 a year.

Last year, my agency received over 40,000 inquiries, over 4,000 written and telephone complaints. We resolve or find unjustified about 85 percent of the complaints that are filed. We saved $720,000 for Bucks County consumers on complaints that we resolved and could set a monetary value. This does not include the hundreds of dollars we saved residents on legal services. The Bucks County commissioners have charged us to see that all residents receive a fair bargain. We are to educate, mediate, and investigate all complaints sent to our office.

We do not ask the age of a resident who files a complaint, but from our research, we believe that 40 percent of our cases and calls are from senior citizens. According to our records and from our work with senior citizens, we list the fraudulent areas in the following order:

(1) Home improvement swindles which occur because the elderly do not have the strength to do repairs. This includes door-to-door sales techniques, verbal contracts, vague written contracts, poor workmanship, and jobs that do not even begin and are clear theft by deception problems.

(2) Mail order which includes work-at-home schemes, medical cures and devices, unordered merchandise, mail drops, etc.

(3) Medical insurance and devices which includes the medigap insurance; the need for insurance counseling; billing and billing problems perpetrated by doctors who do not explain that they will not accept the prevailing fee paid by medicare or as assignment from medicare; medical quackery which promises cures for cancer, cures for arthritis, quick fixes to help rid them of cataracts, improve their sex drive, and slow down the aging process to name a few.

(4) Deceptive advertising which covers medical cures, mail order, and even television repair.

(5) Although it may not be considered a fraud, the problem of apartment rentals is becoming a serious problem of the elderly. As rents increase, the senior citizen on a fixed income must move to a cheaper rental, one with less security, one in disrepair, etc. Landlords in order to recoup moneys in a short time are now turning many of these apartments into condos. The senior citizen can ill afford this. At a time when stability is important, the senior citizen is constantly uprooted.

Frauds against the elderly exist in all areas of our society but these five are considered to be the major situations.

Let me just list a few examples in these categories:

A woman decides to have her roof repaired by a door-to-door salesman who told her that her roof needed repairing. She felt intimidated because she was alone but believed the young man because he seemed nice and he had a business card. He said he needed the money before he began the work and offered to drive her to the bank. She withdrew $4,000 and gave it to him. She never signed a contract. The address on the business card was really a vacant lot. She believed that a printing company only printed cards for legitimate businesses. After a few weeks went by she reported the incident to the township police who in turn called us.

A conman was selling carpeting door to door in a housing subdivision in Lower Bucks which is mostly populated by senior citizens. He went into the homes, told them of this cheap price per square yard, measured the rooms, and returned for the full amount of money. Most of the homeowners had borrowed the money from loan companies and are still paying back those loans but never received the carpeting.

A conman agrees to repair a sidewalk for a senior citizen. The workmanship is poor and the materials are poor quality. It never sets and crumbles. There is no contract. The couple fears for their life if they go to district court because they have been harassed.

Swindles through the mail abound. Because many of these border on the criminal/civil situation, we are unable to stop them. The following is an example of such a case. We have found that one particular segment of the population that are vulnerable to con artists are widows. We have knowledge of an organization who

collects a nominal membership fee with the promise of free help, emotional support, and companionship. By the time the money is collected, the con artist has moved into a new geographic area to perpetrate the scam leaving no forwarding address. No criminal act has occurred and thus this individual is free to continue this wrongdoing. Fake cures, mail drop businesses, pornographic literature, unsolicited bills, unsolicited items are all part of the problems abounding through the mails. In our Philadelphia area we have seen an increased effort in assistance and resolution in the U.S. Postal Service. More must be done to increase their enforcement powers and their investigative staff.

Medicare billing problems and misunderstandings are increasing. It often takes hours to resolve each billing. But the worst fraud that is occurring is that the patient does not realize he or she must ask the doctor if he or she will accept assignment from medicare before treatment.

Many times after treatment, the patient is billed for the extra moneys and cannot begin to pay it. A collection agency then hounds them. We have a case where an 84-year-old lady owes $1,000 to a doctor, who has retired, because he did not accept the medicare assignment fee. A collection agency has agreed to allow her to pay $1 a month because that was all that is left of her monthly income. Another problem with medical insurance is the medigap problem. We have a number of cases that illustrate the thousands of dollars spent on much more insurance than is necessary. We know that many health insurance agents use scare tactics to sell additional insurance. Thus, for fear of becoming a burden on one's children, and for fear of cancer, of serious disabilities, the senior citizen overinsures not realizing that these policies have duplicate coverage and cannot be of any use. We have cases where senior citizens were borrowing money for a number of policies. Last Sunday night I was on WCAU, a Philadelphia-based radio station on a 1 hour talk show discussing health insurance problems. At least 30 people called; all were senior citizens who did not know what coverage to buy or keep, etc. As a member of the board of directors of the Blue Cross Plan of Greater Philadelphia, I can see the real need for effective counseling and low-cost comprehensive medigap insurance.

An example of deceptive advertising is the coupons or ads placed by various television repairs. The senior citizen cuts out the coupon and calls the TV repair company. The coupon is for $3.95 to $10.95. The repairman finds the problem; returns to the repair shop for the part and repairs the TV. The bill is $45.95 or higher for a $2 part but includes labor, knowledge, mileage, business depreciation, etc. The ad is not incorrect, but deceptive. It has mislead the consumer into thinking the coupon would pay the bill.

We are including copies of a sampling of documented cases for your perusal.[1]

The impact of these frauds are quite serious. Money has been taken or spent. The senior citizen is generally on a fixed income and fears being a burden on the younger members of the family. The loss of a sizable sum of money has a demoralizing effect. It is often embarrassing to tell anyone about it. When the truth is finally told, it is too late.

What can be done in the country and what are we in Bucks County doing about frauds against the elderly?

The advocate and provider of services for the Bucks County elderly is the Bucks County Adult Services Department (BCAS), the area agency on aging. BCAS and our agency work together to educate the elderly in wise buying methods in consumer education and the various consumer laws and to resolve their problems. During this past year we were instrumental in assisting BCAS with the educational portion of a grant from the fixed income consumer counseling program through the retired senior volunteer program. This grant utilized the experience and talents of older citizens to be volunteer counselors in medicare and medigap insurance. These volunteers met with over 1,900 people. But this grant ends in September, and it is just the tip of the iceberg as far as bearing any results. The Bucks County Opportunity Council's outreach workers (BCOC) and our office have been cut back on outreach programs, on assistance in general by the ending of the CETA program because we, as most consumer offices, low-income, and senior citizen agencies had the majority of CETA positions. We, and Bucks County Adult Services, also applied for a grant through the U.S. Office of Education to do a counseling program on consumer education by senior volunteers. The money for this grant was cut out of the Federal budget.

We do consumer education through three monthly radio stations, cable TV, the press, and speaking engagements. Senior citizens are effected by these media events. However, as office staffs are cut through budgetary and CETA cutbacks less can be

[1] See appendix, page 89.

done. Everyone throughout the country in the community service/human service area is scrambling for private foundation money and the block grants. Unfortunately the consumer protection area is out in left field. There is also a feeling that consumer protection can be done by private industry (but that is not how private industry feels); that since it is not mandated it is not needed; that hiring a person to do the job shows lipservice and that is often as far as a local government sometimes approaches the problem.

Bucks County commissioners have been supportive of our office. We hope that we can continue to assist seniors at a priority level with present staff despite CETA cuts in BCAS, BCOC, and BCCP. We also work closely with our county district attorney's office and are their intake unit for most consumer problems. Recently in preparation for the White House Conference on the Aging, a newspaper survey of the issues confronting senior citizens in the Bucks County media showed that 49.5 percent of the senior citizens felt the need for consumer protection was the third most important issue facing them.

I suggest the following:

(1) Passage of S. 1407 which will strengthen the U.S. Postal Service in combating mail fraud. Stiffer fines and penalties will help in eliminating fraud and stop constant abusers.

(2) There is a need for synergism, for networking among agencies together, including consumer agencies (county, city, and State), district attorneys, attorneys general, postal authorities, agencies of the aging, and the low income.

(3) Pass a consumer policy on the Federal level and urge each State to do the same. Consumer protection is not mandated and thus no funding is available. State policies could then be passed down to city and county governments to fund through the block grants, the consumer problems most pressing in that area.

(4) Surveys should be sent to all of the agencies involved in consumerism for the aging, (e.g. see No. 2 above) which could help formulate a national policy. This information could be used by the Adviser to the President on Consumer Affairs, Hon. Virginia Knauer, and become a Federal policy supported by President Reagan.

(5) Develop pilot projects through some type of funding which would formulate a consumer educational program for the elderly on State and Federal consumer laws, unethical business practices, ways to resolve consumer problems, and the basic economics of the marketplace such as comparison shopping and counseling. One thing I have found out in working with senior citizens is that they don't want things done for them, they want to be part of it. I suggest that these pilot projects be based on educating senior volunteers in the consumer laws and education so that these volunteers can outreach to other senior citizens in our rural areas, at senior centers, in their homes, churches, etc.

(6) Develop projects through the district attorneys' offices that would combat elderly crime and fraud and would unite neighborhood groups, county or city consumer agencies, adult services, and low-income agencies to work on the problem together.

(7) Urge that block grants include moneys for elderly consumerism to combat fraud at the local level through consumer or senior citizen agencies.

My department and I, with the assistance of our other county agencies, would like to assist your committee on this most serious issue.

I would like to thank you for the opportunity to testify today.

Senator HEINZ. I will have questions for all members of the panel. However, I would now like to call on Gorham Black, our secretary of aging, to present his testimony. I will then call on Mr. Brown and then I will ask questions.

STATEMENT OF GORHAM L. BLACK, JR., HARRISBURG, PA., SECRETARY, DEPARTMENT OF AGING, COMMONWEALTH OF PENNSYLVANIA

Mr. BLACK. Good afternoon. My name is Gorham L. Black, Jr., secretary of the Pennsylvania Department of Aging. It is a pleasure and privilege to testify before this special committee on the subject of crime against the elderly and consumer fraud. We thank you for giving us the opportunity to speak here today on behalf of Pennsylvania's older residents.

Every person assembled in this room is acutely aware of the fact that crime is one of the greatest problems in America today. It is one of the principal considerations occupying our thoughts and shaping the way we live. In spite of increased anticrime initiatives, rates of reported crimes grow steadily each year. Public opinion polls repeatedly cite crime as one of the most prevalent public concerns.

It is important to note that the general picture of crime as an increasing social problem does not tell the whole story. We know that even though the elderly are subject to the same kinds of crime as the general public, they are undervictimized in certain categories and overvictimized in others.

The analysis of patterns of criminal victimization of the elderly has shown that the attention of the elderly should be focused on crimes such as purse snatch, medical frauds, con games, pension frauds, assault, retirement land sales frauds, vandalism, and abuse.

The major reason for focusing special attention on these particular crimes is that the impact of these crimes is greater for the older person than for the general population. Likewise, the older person is more vulnerable to this type of criminal victimization. There are obvious physical, economic, and environmental factors associated with aging that increase both the vulnerability to and the impact of criminal victimization for the older person.

The precarious physical, financial, social, and psychological circumstances of many older persons make them vulnerable to those who seek to take advantage of them. The insecurity of living on a small, fixed income makes the older person susceptible to anything that promises a better lot in life.

This opens the door to an infinite number of frauds, such as phony contests, bunco schemes, and merchandise swindles. The isolation of living alone often deprives the older person of the information needed to avoid fraudulent or deceptive business practices. The desperation caused by an illness which doctors cannot cure makes many older persons easy prey for quacks, who use the U.S. mail and door-to-door sales to dispense miracle cures.

Not only do these practices deprive the elderly of their much-needed resources and create immeasurable emotional trauma; they also create a general atmosphere of distrust and helplessness which tends to undermine the basic quality of life which older persons have a right to expect.

There is no doubt that crime against the elderly, especially that crime which often obliterates the older person's life savings, creates a situation which is totally intolerable. It is intolerable for those elders who are victimized, and it is equally intolerable for those of us who are charged with the responsibility of protecting the dignity of those who have devoted a lifetime to their families and their communities.

We are aware of the attention being given to the issue of crime against the elderly by the Federal Government. We agree that passage of the Victims of Crime Compensation Act would make a significant contribution to Pennsylvania's effort to provide compensation to crime victims. That message will be carried to the upcoming White House Conference on Aging by the Pennsylvania delegation.

We also agree that increasing the penalties for those criminals convicted of mail fraud would serve as a deterrent for con artists who use the U.S. mail as a passkey to the homes of many vulnerable senior citizens.

We believe that the problem of crime against the elderly is of equal consequence to both our country and our Commonwealth. We also believe that the solutions to the problem must involve Federal as well as State and local participation. It is for that reason that we urge the Federal Government to continue its anticrime initiatives as a supplement to our own efforts.

Within the confines of this Commonwealth, hardly a day passes without having the consequences of elderly criminal victimization brought to my attention. The media reminds us daily that vulnerable, older Pennsylvanians continue to fall prey to con artists and other assorted criminals.

I have here, Senator, a clipping from the Philadelphia Enquirer, dated Tuesday, July 28, 1981. The article refers to three con artists posing as FBI agents, who have bilked elderly Philadelphians of $2,100. The scam works very simply. They look for counterfeit money, which in itself should have been a tipoff because the FBI is not involved in counterfeit money; that is a Treasury function.

These individuals seize the money of the older person as evidence and then take the money away from the home, giving some bogus reason for doing so.

As we have said in a number of our local crime seminars, the name of the game is to take your money. I am pleased to report that we in Pennsylvania are not allowing this intolerable situation to go unchallenged. Governor Thornburgh has committed this administration to the goal of creating an environment free from crime and the fear of crime for Pennsylvanians of all ages.

Further, he has directed all State agencies which provide services impacting on the elderly to combine forces to provide specialized services to help older Pennsylvanians avoid the ravages of crime.

In response to that directive, various initiatives have been undertaken by the Pennsylvania Department of Aging. As the chief advocate for Pennsylvania's senior citizens, perhaps the most exciting of these initiatives is the appointment of an Interagency Task Force on Elderly Crime Prevention. This task force, composed of staff members of 13 State agencies, of which my panel colleague is a very responsible member, is charged with the responsibility of recommending ways that the existing agency resources can be used to better serve the specific crime-related needs of the elderly. This task force will be instrumental in coordinating the expertise of each of the agencies into a unified effort to address the issue of crime against the elderly.

With regard to educating older Pennsylvanians, the department of aging has produced a 30-minute television program depicting the older person's vulnerability to crimes involving fraud. The program has been aired throughout the Commonwealth via the Pennsylvania Public Television Network.

To further assist the elderly in their attempts to avoid fraud, the department of aging has joined forces with the Pennsylvania Commission on Crime and Delinquency and the Virginia Office on

Aging to conduct a series of half-day seminars dealing with frauds against the elderly. These seminars are routinely presented to senior citizens throughout the Commonwealth.

In fact, at this moment approximately 200 senior citizens in New Castle, Pa., are attending such a seminar and learning what they can do to protect themselves, their friends, and their neighbors from fraud, con games, and bunco schemes.

We work very closely with the bureau of consumer protection, and our goal is to establish a consumer fraud training program which will assist the area agencies on aging to conduct consumer fraud prevention training for their senior citizens.

This list of initiatives is by no means all inclusive. I use it only to illustrate the growing commitment of State government to the goal of creating a safe, secure environment for older Pennsylvanians. We know that the achievement of that goal will not be easy. We are well aware that we are faced by a formidable opponent.

However, we are also certain that by continuing to combine the efforts of all levels of government with those of the private sector and concerned citizens, we can form an alliance with the capability to significantly impact on the crime-related problems of our senior citizens.

I know that I speak for all older Pennsylvanians—in fact, all Pennsylvanians—when I say that it is our right to expect an old age of dignity and happiness. Although the issue we are dealing with today is but one of many which will have a bearing on that expectation, it is clearly an important one.

Let us therefore do all that we can to insure that the issue of crime against the elderly remains foremost in our minds. By so doing, we are serving not only today's senior citizens, but also ourselves.

Thank you for your time and attention.

Senator HEINZ. Mr. Secretary, thank you. Your testimony is, as usual, very, very excellent. I have to thank you because I see you so much in front of this and other forums, our responsibilities overlapping so much as they do, and I am very glad they do.

Mr. Brown, would you please proceed?

STATEMENT OF LAURENCE H. BROWN, CHIEF, ECONOMIC CRIME UNIT, PHILADELPHIA, PA., DISTRICT ATTORNEY'S OFFICE, AND DIRECTOR, ECONOMIC CRIME PROJECT, NATIONAL DISTRICT ATTORNEY'S ASSOCIATION

Mr. BROWN. Thank you, Senator. My name is Laurence Brown; I am the chief of the economic crime unit in the Philadelphia district attorney's office. Among my duties as chief is supervisory responsibility for the prosecution of white-collar crime, and most particularly consumer fraud cases.

In addition, with the demise of LEAA funding, our office has voluntarily, at the request of the national district attorney's office, assumed the function of liaison office for the national economic crime project. The project is made up of over 70 economic crime. consumer fraud, white-collar crime, financial crime, and special investigations units located in district attorney's offices throughout the country. The units among the project's members cover 34

States and serve approximately 40 percent of the population of this country.

The economic crime project was organized in 1973 in response to the growing threat of white-collar crime and the complexity of its prosecution. The project, through its members, has, and continues to monitor the spread of deceptive practices that defraud consumers, and has conducted task force studies on topics ranging from home improvement fraud, automobile repair fraud, and business opportunity and investment fraud, to insurance fraud, antitrust, and official corruption and procurement fraud.

As director of the national project, I have observed the problems faced by local prosecutors throughout the country who are charged with the responsibility for recognizing and identifying white-collar crime and consumer fraud, and prosecuting those cases which violate State and local criminal statutes. As a local prosecutor, I have dealt on a one-to-one basis with both victims and those who have victimized.

What I have found is that the problems in this field are not local or regional in nature, but cross geographical lines in impacting upon the elderly of this country. I have also found that in seeking to solve these problems, we often start with somewhat of a misconception, caused perhaps by our need to visualize problems by compartmentalizing them.

We have created a category of crime called crime against the elderly, when in fact the same crimes that terrorize, manipulate, and threaten the elderly also terrorize, manipulate, and threaten all segments of the community. The real problem lies not in the crimes, per se, but in the effect and impact of crime caused by the unique, less protected posture, both economically and physically, in which the elderly find themselves. They are, as a group, generally less able to respond to and protect themselves against fast-talking, highly polished con artists and advisers.

Persons living on a small, fixed income are more susceptible to pitches of fly-by-night operators offering promises of products and services at low, attractive prices. An example would be the many nationally documented cases where poorly bankrolled, unlicensed, unregistered home improvement contractors, usually working from unmarked trucks without any permanent places of business, have obtained the life savings of elderly citizens, only to leave the community with the work undone and the victim's savings totally depleted.

The common thread throughout these cases is the victim's unquestioning belief that the quoted price was lowest and their felt need to get the job done now, because there may not be another chance tomorrow.

Moreover, in addition to the problems of small, fixed incomes, on a percentage basis of the population a more significant number of elderly victims are physically less mobile, and therefore less likely to have access to central complaint offices to file complaints, making it less likely for a significant percentage to file complaints even after the harm has been done.

Some problems are more likely to affect the elderly simply because of age, including the protection of their own property and the passage of that property to their heirs. There are dozens of cases

involving unscrupulous professionals—lawyers, insurance advisers, estate planners, and even other family members—who, under the guise of offering professional assistance, have acquired control over the assets of elderly citizens and used those assets for their own purposes.

An example is the purveyor of cemetery lots or monuments who finds and even seeks the elderly as an attractive and available target for fraudulent or deceptive advertisements or sales.

The practitioner of the healing arts often finds a ready audience for untested, untried, and often worthless miracle cures among the elderly—a group particularly and peculiarly receptive to this type of approach because of the obvious increased incidence of debilitating, painful, and life-threatening illness among this age group.

Again, I wish to reiterate that in examining crimes involving the elderly, I am not talking about a separate class of crime, but instead I am focusing on a class of victims. By so focusing, it can be seen that proper protections can be developed only if we direct ourselves to the unique problems that cause the elderly to be more susceptible to general criminal activity rather than just focusing on the criminal acts themselves.

Among areas ripe for consideration are the establishment of ombudsman programs and outreach programs that facilitate the filing of complaints and the initiation of corrective procedures at locations convenient to the elderly; implementation of educational programs that focus on activities that ought to be viewed suspiciously; agencies, both public and private, that are available to those requiring assistance and instruction in available remedies; examination of, in this case, the criminal justice system to make it more responsive to the problems of the elderly, including increasing its accessibility by bringing it to the citizen when the citizen cannot get to it.

An example would be development of rules permitting videotaped testimony and even, where appropriate, the conducting of actual trials or portions of trials in outreach locales.

Thus, the issue is not merely how to focus available resources on the fight against white-collar crimes and consumer frauds; the corollary is to recognize both the effect and impact of these unscrupulous activities on a growing segment of our society—the elderly—and the need to close the gap between our perception of the problems of the elderly and the ways in which our public agencies respond to those needs.

On behalf of the Philadelphia district attorney's office and the member offices of the national economic crime project, I would like to thank you for the opportunity to express my thoughts on this matter.

Thank you.

Senator HEINZ. Mr. Brown, thank you very much.

The issue, it seems to me, that we had some discussion of, and we need a lot more in the way of better ideas, and what S. 1408 really addresses is prevention. In spite of the outstanding work everybody is doing in looking into these things after they occur—the things that the district attorneys or our State attorney general do—what can we do to enhance our ability to prevent these kinds of frauds against the elderly?

What Federal/State initiatives do you believe could begin to deal with these real underlying causes? Ms. Lazin, do you have any comments on that?

Ms. LAZIN. Well, Senator, it seems that the whole area of consumer protection has been one where funding has been diminishing over the years. Perhaps today, with the tightening economy, it is even more important that we get the message out to not only the elderly, but to all consumers on how to save money and on how to be on the lookout for these scams.

I know that my bureau used to receive several Federal funds for consumer education purposes for which we no longer qualify because those funds have been revoked. So, that would certainly one area—more funding.

On the other hand, the reality is that it is impossible for a bureau like mine to protect the 12 million consumers in this Commonwealth, no matter how many staff or how much funding we have. Therefore, consumer education really does become the key.

I would like to actually applaud the senior citizen community because while there is definitely a large segment that is afraid to complain for fear of retaliation, in my speaking engagements around the State I find that the senior citizens always provide the best audience. They are the most well-read; they are the most informed. They sit in their houses, true, but they sit in their houses and they educate themselves, and they spread the word among each other as to what to look out for.

I would, however, like to see increased outreach programs in terms of consumer education, and that can be done with funding.

Senator HEINZ. So, if the State gave you, or if we gave Virginia Knauer or the Federal operation or pass-through more money, what would be the first thing you would do with it?

Ms. LAZIN. I would say that I would try and approach the media aspect, because I think that is the quickest way to get the message across. I am very familiar with the TV program that Secretary Black was talking about before, and we have had such an outcry and such a pouring in of complaints by people who all of a sudden say, "Gee, I saw this TV show and I never knew I had those rights." That really has been one of the keys.

So, I would say more media. I would also ask that the media itself take more of an interest in consumer problems. I know that many of the articles frighten consumers, especially elderly consumers, but it really is necessary to educate them.

I would also just put in a plug for funding for the FTC and the Consumer Product Safety Commission. They always seem to be in danger of having their funding cut, and I can only speak from my personal experience and say that I find the work they do, in large part, extremely helpful in setting legal precedents for my office to then go after in opening up new scams that maybe my bureau never had the money to hire expert witnesses to go in and examine. Those are two agencies that I would like to see continuing in the work they do.

Senator HEINZ. You know, you mentioned the Department of Aging's film—the half-hour film that Secretary Black referred to in his testimony.

Mr. Secretary, I noticed you said it has only appeared on public television. Why can we not get it on commercial television which, for better or for worse—I have my own opinion on that matter—90 to 95 percent of the people watch most of the time? Why can we not get it on the commercial stations?

Mr. BLACK. It is a matter of licensure rights, Senator. The arrangement by which the film was produced was under the public television imprimatur.

Senator HEINZ. So, they did pay for it, I assume?

Mr. BLACK. No.

Senator HEINZ. They did not?

Mr. BLACK. There was another financing arrangement; the private sector helped us finance it as a department.

Senator HEINZ. But they helped produce it?

Mr. BLACK. That was the way in which it was produced. So, I imagine copyright laws—I am not familiar with the broadcast industry, but I am sure that there is that impediment.

Senator HEINZ. And as a result, it cannot be shown, and 95 percent of the viewing hours that it could be on, practically speaking, it is not.

Mr. BLACK. If it were shown as a public service, I am deathly afraid that it would be at 2 a.m., on Sunday morning, as opposed to prime time.

Senator HEINZ. You know, I suspect that is right. In the testimony I entered into the record from Ms. Adams, who is sitting in the second row, her county office got 40,000 inquiries—4,000 of them written. They looked into as many of them as they could. I gather they found about 85 percent of those inquiries to be situations where somebody did not have something to worry about; the other 15 percent, I gather, were legitimate problems.

I suspect that if enough films were run, it would not be 40,000; it would be 80,000, or 140,000, or 240,000, if 40,000 is any indication.

Mr. BLACK. Well, I am pleased, Senator, that our showing of the film on public broadcasting gave Terry a little more work to do.

Senator HEINZ. I have no doubt about that.

Let me ask, how is the work done at the county level segregated from what is done at the State level in Pennsylvania?

Ms. LAZIN. The county agencies—and there are several which are very active, and Ms. Adams certainly is one of them—provide a very important function. Many of them attempt to mediate consumer complaints, and they certainly provide a tremendous amount of consumer education.

However, the bureau which I am in charge of, as the attorney general pointed out before he left, is a part of the office of the attorney general. Therefore, we have subpena power and we have litigation power. We represent the entire Commonwealth when we bring a case. Therefore, we differ from the legal services in Pennsylvania.

We do not represent consumers as would a private attorney, which is something that is often difficult to communicate to them. We bring our legal actions when we find a pattern of what we call unfair trade practices; that is the legal phrase. We bring legal actions on behalf of the whole Commonwealth of Pennsylvania, and that is a power that the county agencies do not have.

Senator HEINZ. Do they give you referrals?

Ms. LAZIN. Yes; many. They do a very good job at trying to mediate them at their own level, but if they are unsuccessful, they will forward them to us and say, "Subpena those people in and see what you can do."

Senator HEINZ. Can they refer to the local district attorney?

Ms. LAZIN. Yes; under the Unfair Trade Practices Act, which is an act that I am responsible for enforcing, we do have concurrent jurisdiction with the district attorneys. And I would also like to give a round of applause to Larry Brown and his boss, Ed Rendell; they do a very good job in Philadelphia.

I will not give a round of applause to many of the other DA's out there who do not think that crimes against the elderly, because they are economic in nature, are important. I have tried to change their——

Senator HEINZ. We had a little testimony from a unique witness—a convicted felon, Mr. Seiders. He said he did not think that economic crime against people was important. It just took their money; it did not take their life.

Ms. LAZIN. There are many DA's out there who, you know, would rather have front page ink about rapes, murders, and violent street crime, which is very important. But I know the Philadelphia DA's office has been very active and is one of the few offices that has their economic crime unit, and really do a good job in protecting the elderly.

Senator HEINZ. Mr. Brown had some excellent suggestions which I want to follow him up on. Before I do, I want to ask Mr. Black about the seminar that is, as we sit here, taking place in New Castle, Pa.

Could you elaborate a little bit on the content of it, the extent to which you plan to go statewide, and the ease or difficulty with which such a program, which I gather has been quite successful, might be suitable for national replication?

Mr. BLACK. Well, the format of the program is very simple. We have had the good fortune of working with the Virginia Office of Aging, which has an individual in that office who makes his primary function one of discussing crime against the elderly; he has a very interesting and informative presentation, which makes seniors aware of the things they can do to avoid crime.

We work, Senator, with our area agencies on aging. We have conducted four of these so far in different parts of the State. They have been very well received by older people, and the content deals with the various scams which have been alluded to in the testimony here today.

We also talk about something which I have not heard discussed too prominently, and that is the problem of fear of crime among the elderly. The number of older people who find themselves literally imprisoned in their homes or apartments and are afraid to go out—those are the concerns; maybe they are psychological, or what have you, but those are the concerns which have to be addressed.

That, of course, is the whole purpose of our Older Americans Act, to make the lives of older people more independent and more dignified in their later years. So, our scenario on these various site conferences is to interweave the area agency along with our senior

center personnel, and to also reach out to the at-home population in whatever way we can.

Our position is that those who hear the presentation become trainers and they can go out and tell others what they have heard based on these various symposia that we put on.

Senator HEINZ. I am glad to hear that, and it sounds like other States might learn a lot from it.

Mr. BLACK. Hopefully.

Senator HEINZ. And maybe this committee can do a little bit in the way of popularizing that. I hope we will be able to find a way to develop some material, put it in the record and distribute it so that it will begin to make some people think in some other States.

Mr. BLACK. Right.

Senator HEINZ. One of the things that struck me when Ms. Lazin was testifying is that, notwithstanding the fact that the Federal Government has many important responsibilities in this area, when you mentioned that it took 2 years to get the dentist in Allentown decertified, I began to think about how many other items are subject to State licensure or State kinds of restrictions.

It takes forever to get a nursing home decertified, as the district attorney's office in Philadelphia well knows, even if it is killing people. The fact of the matter is that there really is probably a compendium of very longstanding State laws that make the job of the attorney general, the department of consumer protection, the department of aging, and the county consumer departments, just extraordinarily difficult.

Now, my question is, To what extent are State legislatures, or for that matter our State legislature, beginning to address those laws that make it so terribly difficult, having found somebody who is doing something wrong, to get them to stop, and stop for more than a few days?

Ms. LAZIN. I think the Pennsylvania Legislature is pretty responsive. For example, one of the things I mentioned in my testimony was the hearing aid law. The hearing aid law which my bureau enforces is great; I mean, I was extremely pleased that that piece of legislation was passed.

However, I highlighted a loophole. Unfortunately, it takes years, very often, of trying out a new law to find out what those loopholes are. That does not take away from the good foresight of the legislature in passing the law to start with.

I think that there are many legislators that have been very active and very helpful to my bureau in the area of promoting laws which will, in fact, help the consumer. There are many other trends in the legislature, also, but I would say on balance, while I am always lobbying and have 8,000 criticisms perhaps of the legislature that they are not moving quickly enough, they have been fairly responsive, but certainly could be more so in the area of consumer protection.

Senator HEINZ. I have been saving some questions for Mr. Brown, who made some very provocative comments.

In your testimony, you mentioned as one suggestion examining the criminal justice system to make it more responsive to the problems of the elderly, including increasing its accessibility by bringing it to the citizen when the citizen cannot get to it. You give

an example—the development of rules that might permit videotaped testimony, or conducting trials or portions of trials in outreach locations.

Now, that suggests that you have run into some experiences.

Mr. BROWN. Indeed, we have.

Senator HEINZ. When you have a fraud case coming to trial or you are in the initial investigative stages of it, how do older persons respond as potential or actual witnesses?

Mr. BROWN. The first stage, of course, in any criminal proceeding, and indeed in any civil proceeding, is to make a determination as to the veracity and the ability to recall details of the particular victim, and that is no different in cases involving the elderly as it is in any case.

Among the elderly, once you get past that question and once you see that they have the ability to recall details and the ability to test their memory, they make excellent witnesses in criminal cases. As a class, they come across as honest, as well-intentioned, and truly as victims.

I can truthfully say that in those cases we have prosecuted where our victims have, for the most part, been elderly, we have always gotten astonishingly good results; more so, I would say, than in cases where the victims have been young.

Senator HEINZ. I sense that there is some reluctance on the part of the elderly, or tremendous inconvenience on the part of the elderly to testify. Otherwise, I do not imagine you would make the suggestions you made.

Mr. BROWN. There is, and the one thing that must be remembered with the criminal justice system is that under our Constitution, and properly so, the accused has the right to confront all witnesses. So, in criminal cases, the Commonwealth—the prosecutor—cannot present affidavits from people who are infirmed in court.

One of the difficulties of the witnesses is just the physical impossibility of getting to court. Indeed, for today I had hoped to bring with me, a witness, a victim in a home improvement case. She is an 82-year-old woman; she lost approximately $25,000 on home improvement on a house that she had purchased for $8,000. She would have told us, I think, some very interesting and enlightening experiences.

However, because of her age and because of the fact that she is partially infirm, she and her attorney were reluctant to have her make the journey to Harrisburg and go through the ordeal of testifying. You can only imagine what an ordeal she would have to go through in a criminal case where, indeed, the marbles are on the line, so to speak.

Senator HEINZ. Constitutionally, could you ever permit a videotaped witness and testimony?

Mr. BROWN. Yes, and we have done that in the past. The key is that the right to confront a witness means that the defendant must be present when the witness is testifying. What we have done in cases, and successfully, is that we have moved the entire trial to a particular location—to a conference room, maybe, at the attorney's office.

We have videotaped the entire trial; we have brought the judge there, the prosecutor, the defense attorney, and the defendant. That does not deny the defendant his right to confront witnesses and, of course, I think we can all see the ease that it provides to the victim of the crime and to witnesses of the crime.

Senator HEINZ. Do any of you have any further comments on what is the most effective action that can be taken to help protect older persons against these con artists; any summary thoughts or any suggestions?

The last shall be first on this, and the first shall be last. Mr. Brown?

Mr. BROWN. Well, as usual, I agree with Ms. Lazin. If you are going to prevent the problem, the funds should go toward education and public awareness. That is the only way to prevent the problem. Once Ms. Lazin and I get the case, you have already got a victim, and then you are fighting to get money back to put the victim back in a position of status quo, to replace the victim to the position they held before they were victimized.

So, if prevention is the key, then the funds have to go for that, and I am glad to say that all of the areas of Pennsylvania government that I have seen are recognizing that and are moving ahead to do that on a local and on a State level.

Senator HEINZ. Gorham, do you have any thoughts you would like to add?

Mr. BLACK. Well, I certainly concur with my colleagues on the question of education and awareness, and I think more of the interagency approach to the problem, as we have initiated here in the Commonwealth, will tend to dissipate the need for more and more money and focus on the problem of getting this public awareness to the people for whom we in the department of aging are responsible. Of course, as you well know, crime is only one of many, many problems that we have a responsibility to solve for elderly people.

Senator HEINZ. Ms. Lazin?

Ms. LAZIN. Senator, I would just like to thank you for the opportunity to testify here today, and in closing just note that I was very impressed with the Senate bill that you, I believe, cosponsored, S. 1407, and I would really lend my support to putting some teeth in for the postal authorities to be able to work with, because mail order fraud and mail order crimes very seriously affect not only the elderly, but all of our consumer population. I think it is a very good bill and I really support it.

Senator HEINZ. Are there any additional teeth that you would like to see in it?

Ms. LAZIN. In my reading of it so far, I think you have a pretty comprehensive approach, especially the part about civil penalties and being able to go for the financial restitution and penalty aspects of the case.

Senator HEINZ. Mr. Brown, do you have any comment on S. 1407?

Mr. Brown. No, Senator, I do not. I would like to make one comment, though, and that is that I am glad to see the bill and that I am glad to work with the Postal Inspection Service. Of all the Federal agencies that I have had the opportunity to work

with—and I can speak for prosecutors around the country; I think our experience has been uniform—the Postal Inspection Service has been the most cooperative with local agencies. They are the most willing to bring cases to the local agencies and the most willing to work with those cases.

Senator HEINZ. They seem to have a lot to bring.

Mr. Brown. They do, and we are always glad to get it.

Senator HEINZ. I should think so.

Well, I thank all three of you, and also the attorney general. We were delighted to have four such excellent witnesses. We are very appreciative to you, Ms. Lazin, to you, Mr. Secretary, to you, Mr. Brown, and, of course, Attorney General Zimmerman.

Thank you all very much.

Ms. LAZIN. Thank you.

Senator HEINZ. The hearing is adjourned.

[Whereupon, at 3:10 p.m., the committee adjourned.]

APPENDIX

MATERIAL RELATED TO HEARING

97TH CONGRESS
1ST SESSION

S. 1407

To amend title 39, United States Code, by strengthening the investigatory and enforcement powers of the Postal Service by authorizing inspection authority and by providing for civil penalties for violations of orders under section 3005 of such title (pertaining to schemes for obtaining money by false representations or lotteries), and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 22 (legislative day, JUNE 1), 1981

Mr. PRYOR (for himself, Mr. HEINZ, and Mr. CHILES) introduced the following bill; which was read twice and referred to the Committee on Governmental Affairs

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A BILL

To amend title 39, United States Code, by strengthening the investigatory and enforcement powers of the Postal Service by authorizing inspection authority and by providing for civil penalties for violations of orders under section 3005 of such title (pertaining to schemes for obtaining money by false representations or lotteries), and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Postal Service Amendments of 1981".

SUBPENA AUTHORITY

SEC. 2. (a) Chapter 4 of title 39, United States Code, is amended by adding at the end thereof the following new section:

"§ 413. Inspection authority

"(a) The Postal Service may require, pursuant to a written demand made under this section, that any officer or employee designated by the Postal Service be given access at reasonable times to inspect or copy any books, records, documents, or other objects that the Postal Service has reason to believe relate to any matter under investigation by the Postal Service pursuant to its authority under section 404(a)(7) of this title. Any written demand under this section shall describe with reasonable particularity the items sought to be examined, and shall specify a reasonable time and place for making the inspection. No written demand issued under this section may impose an unreasonable burden upon the party to whom the demand is issued.

"(b) If a person issued a written demand under subsection (a) refuses to obey such demand, any district court of the United States within the judicial district within which such person is found, resides, receives mail, or otherwise transacts business, may (upon application by the Postal Service) order such person to comply with the written demand issued under

subsection (a). Any failure to obey such order of the court may be punished by the court as a contempt thereof.".

(b) The table of sections of chapter 4 of title 39, United States Code, is amended by inserting after the item relating to section 412 the following new item:

"413. Inspection authority.".

AMENDMENT TO SECTION 3005

SEC. 3. Section 3005 of title 39, United States Code, is amended to read as follows:

"**§ 3005. False representations; lotteries**

"(a)(1) The Postal Service may issue an order described under paragraph (1) or (2) of subsection (b), or both such orders, upon determining on the basis of evidence satisfactory to the Postal Service that any person—

"(A) is engaged in conducting a scheme or device for obtaining money or property through the mail by means of false representations, including the mailing of matter which is nonmailable under section 3001(d) of this title; or

"(B) is engaged in conducting a lottery, gift enterprise, or scheme for the distribution of money or of real or personal property, by lottery, chance, or drawing of any kind.

The mailing by any person of matter which is nonmailable under section 3001(d) shall constitute prima facie evidence

that such person is engaged in conducting a scheme or device described by subparagraph (A).

"(2) Nothing contained in this subsection shall prohibit the mailing of—

"(A) a newspaper of general circulation containing advertisements, lists of prizes, or information concerning a lottery conducted by a State acting under authority of State law, published in that State, or in an adjacent State which conducts such a lottery; or

"(B) tickets or other materials concerning such a lottery within that State to addresses within the State.

As used in this paragraph, the term 'State' means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States.

"(b) When permitted under subsection (a), the Postal Service may issue—

"(1) an order which—

"(A) directs the postmaster of the post office at which mail arrives, addressed to any person engaged in an activity described by subsection (a)(1) (or to any representative of such person), to return such mail to the sender appropriately marked as in violation of this section if such person or representative is first notified and given

reasonable opportunity to be present at the receiving post office to survey the mail before the postmaster returns the mail to the sender; and

"(B) forbids the payment by a postmaster to such person or representative of any money order drawn to the order of either, and provides for the return to the remitter of the sum named in the money order; or

"(2) an order which requires any person (or representative of such person) engaged in an activity described by subsection (a)(1) to cease and desist from such activity.

The resumption through use of any instrumentality of interstate commerce of any activity with respect to which a cease and desist order has been issued under paragraph (2) shall be considered to be a failure to comply with such order.

"(c)(1) The public advertisement by a person engaged in activities described by subsection (a)(1) that remittances may be made by mail to a person named in the advertisement is prima facie evidence that the latter is the agent or representative of the advertiser for the receipt of remittances on behalf of the advertiser. The Postal Service may ascertain the existence of the agency relationship in any other legal way satisfactory to it.

"(2) As used in this section and in section 3006 of this title, the term 'representatives' includes an agent or representative acting as an individual or as a firm, bank, corporation, or association of any kind.

"(d)(1) In conducting investigations to determine whether any person is engaged in activities described by subsection (a)(1), the Postal Service (or any duly authorized agent of the Postal Service) may tender at any reasonable time, and by any reasonable means, the price of any article or service that such person has offered for sale by mail. The unreasonable failure by any such person to provide the article or service to the Postal Service or its agent upon the tender of the advertised price of the article or service shall, for purposes of section 3007 of this title, constitute probable cause to believe that such person is engaged in activities described by subsection (a)(1).

"(2) If the Postal Service issues to any person a written demand, under section 413 of this title, to inspect documents or other items in the course of investigations to determine whether such person is engaged in activities described by subsection (a)(1), any unreasonable refusal by such person to comply with such demand shall, for purposes of section 3007 of this title, constitute probable cause to believe that such person is engaged in activities described by such subsection.".

CIVIL PENALTIES

SEC. 4. (a) Chapter 30 of title 39 of the United States Code is amended by adding after section 3011 the following new section:

"§ 3012. Civil penalties

"(a) Any person—

"(1) who evades or attempts to evade the effect of an order issued under section 3005(b)(1);

"(2) who fails to comply with any order issued under section 3005(b)(2); or

"(3) who (other than a publisher described by section 3007(b)) has actual knowledge of any such order, is in privity with any person described by paragraph (1) or (2), and engages in conduct which assists any such person to evade, attempt to evade, or fail to comply with any such order (as the case may be);

shall be liable to the United States for a civil penalty in an amount not to exceed $10,000 for each day that such person engages in conduct described by paragraph (1), (2), or (3). If orders are issued under both paragraphs (1) and (2) of section 3005(b) with respect to any activity described under section 3005(a), separate penalties may be assessed under this subsection for conduct described by paragraphs (1) and (2) of this subsection.

"(b)(1) A civil penalty under subsection (a) shall be assessed by the Postal Service by an order made on the record after opportunity for a hearing in accordance with section 554 of title 5, United States Code. Before issuing such an order, the Postal Service shall give written notice to the person to be assessed a civil penalty under such order of the Postal Service's proposal to issue such order and provide such person an opportunity to request, within 15 days of the date the notice is received by such person, such a hearing on the order.

"(2) In determining the amount of a civil penalty, the Postal Service shall take into account the nature, circumstances, extent, and gravity of the violation or violations and, with respect to the violator, ability to pay, effect on ability to continue to do business, any history of prior such violations, the degree of culpability, and such other matters as justice may require.

"(c) Any person who requested in accordance with subsection (b)(1) a hearing respecting the assessment of a civil penalty and who is aggrieved by an order assessing a civil penalty may file a petition for judicial review of such order with the United States Court of Appeals for the District of Columbia Circuit or for any other circuit in which such person resides or transacts business. Such a petition may

only be filed within the 30-day period beginning on the date the order making such assessment was issued.

"(d) If any person fails to pay an assessment of a civil penalty—

"(1) after the order making the assessment has become a final order and if such person does not file a petition for judicial review of the order in accordance with subsection (c), or

"(2) after a court in an action brought under subsection (c) has entered a final judgment in favor of the Postal Service,

the Attorney General shall recover the amount assessed (plus interest at currently prevailing rates from the date of the expiration of the 30-day period referred to in subsection (c), or the date of such final judgment, as the case may be) in an action brought in any appropriate district court of the United States. In such an action, the validity, amount, and appropriateness of such penalty shall not be subject to review.".

(b) The amendment made by subsection (a) shall apply with respect to conduct which occurs on or after the date of the enactment of this Act.

(c) The table of sections of chapter 30 of title 39, United States Code, is amended by inserting after the item relating to section 3011 the following new item:

"3012. Civil penalties.".

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PROCEEDINGS AND DEBATES OF THE 97th CONGRESS, FIRST SESSION

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Senate

● Mr. HEINZ. Mr. President, as chairman of the Senate Special Committee on Aging I am proud today to be an original cosponsor in the Senate of a measure which would help protect the elderly as well as all citizens by improving the ability of the U.S. Postal Inspection Service to combat mail fraud.

A similar measure is being introduced by my distinguished counterpart, CLAUDE PEPPER, chairman of the House Aging Committee.

Our postal service has about 650,000 employees who last year, in some 40,000 facilities, handled nearly 102 billion pieces of mail. For that same period it generated cash receipts of nearly $18.5 billion. This volume constitutes a full half of the worlds mail. Operations of the post office affect millions of people daily.

Most of the mail carried by the postal service consists of personal correspondence and business related materials. While the vast majority of mail is for legitimate purposes, some is not. This latter type, is used by unscrupulous con artists, charlatans, and quacks to defraud our citizens of their hard earned money. Testimony by Postal Inspection Service personnel suggests these frauds, estimated to involve billions of dollars per year, are on the increase.

While these schemes affect all citizens, they are of particular consequence to the elderly. Postal authorities estimate that 60 percent of mail fraud is perpetrated upon older Americans. Although many of the elderly are far from rich, as a group their income approaches $150 billion per year. The elderly, are under seige by armies of predators using a staggering array of schemes to spirit away the cash of their victims.

Low individual incomes can limit an older American's mobility. Fear of street crime and poor health also contribute to the elderly's reduced mobility and increased reliance on mail order sales. Physical impairments or chronic illness, which afflict 86 percent of our seniors, make them more susceptible to phony claims that offer relief and restored youth. Many cheats and swindlers, target the elderly because they often die before prosecutorial proceedings or are too frail to serve as witnesses.

The Inspection Service serves the inspector general function for the post office. It has developed a good track record of combating those who abuse the mails. Noting that the elderly are prime targets for the unscrupulous mail order swindlers, service officials have designated the area of postal crimes against the elderly one of their highest priority programs. The national complement of some 2,000 postal inspectors, 2,500 uniform security personnel, administrative support personnel and six forensic science laboratories are highly respected by their peers in the law enforcement community.

The Inspection Service has effectively put an end to innumerable schemes which were costly and potentially dangerous to the elderly consumers they targeted. Phony work at home, travel, investment, and land deals have been exposed and prosecuted. Some of these schemes netted orders amounting to tens of thousands of dollars daily. Quack remedies sold through the mails which

have offered relief from cancer, arthritis, failing vision, and poor hearing have also been successfully ended. Frauds amounting to millions of dollars in potential losses are stopped each year. In addition, many of our elderly have been protected from dangerous quack home remedies.

While the Postal Inspection Service has accumulated an impressive track record, much more needs to be done. The service reports several obstacles impede its efforts to obtain an even greater number of successful prosecutions and to permanently ban those convicted of wrong doing from reestablishing their fraudulent operations by simply changing their name or address. This bill would abolish the impediments which prevent even more effective enforcement of postal laws; provide those tools necessary to assist in the prompt gathering of evidence; and close a technical loophole which permits offenders to reactivate their schemes.

Currently, the Inspection Service does not have subpena authority which is routinely granted to all other inspector generals. In order to evaluate whether a product measures up to its advertised claims, the service must send for it in much the same way as a citizen does. Once the product is received, which can be 3 months or more, they must have it evaluated by experts and then approach an administrative law judge or a U.S. attorney for action.

The critical factor is the delay caused by the service having to wait to receive the product before their investigation and enforcement efforts can begin. Those who prey upon the elderly know the nature of this procedure. As a result, they commonly place an ad, take orders for several months, and fill all the orders at one time as they close down their business operation, sometimes reopening under another name someplace else. By the time the Inspection Service receives the product the perpetrators and their assets have vanished.

This bill, which gives the chief postal inspector subpena authority, is one very good solution to this problem. In addition, the bill gives the Postal Service the authority to appear at the address mentioned in a suspicious ad, present a postal money order for the amount of the purchase, and receive immediate access to the product.

A third item in the bill would give the service the authority to move, after a proper due process hearing, and obtain an order barring named individuals from further engaging in the scheme which was the subject of a prior action. Violations of this order could be met with civil penalties up to $10,000 for each violation.

This measure is a responsible approach to a serious problem. The bill adds no new significant costs to the Treasury. This new authority will go a long way toward providing the Inspection Service with the tools necessary to move promptly and effectively against those who victimize our Nation's elderly. I urge my colleagues in the Senate to join in sponsoring this measure and assuring its timely passage.●

RICHARD A. LEWIS
DISTRICT ATTORNEY
DAUPHIN COUNTY
HARRISBURG, PENNSYLVANIA 17108

August 10, 1981

John Rother, Staff Director
United States Senate Special
Committee on Aging
G-233 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Rother:

Since I was unable to attend the hearing on "Frauds Against the Elderly" held in Harrisburg by the United States Senate Special Committee on Aging on August 4, 1981, I am writing to you at the suggestion of Senator John H. Heinz III to express my views on this very important topic.

Crimes committed against the elderly are not always as blatant as a snatched purse. Rising prices on fixed income; failing health; withstanding the extremities of the season; together with the psychological impact of growing old, all culminate to form into a far more subtle victimization of the senior members of our society.

The inevitable reality of aging can be devastating. Those storybook scenes of sun filled leisure enjoyed by a chosen few who, as days go by, become more and more chosen, are becoming less common. The largest concentration of America's elderly reside in the Central and Northeastern States where the Traumatic cold of Winter and heat of Summer need to be met and survived each year.

Aside from the natural burden bestowed by the whims of weather, today's elderly are also susceptible to other less obvious dangers. They aren't able to eat, sleep, walk, talk, hear, see, buy or sell, without second guessing and oftentimes suffering the effects of fraudulent operators. Rip-off artists, con men, however you spell it, means that the senior citizens lose.

Simplicitically, senior consumers could avoid these problems by becoming alert and candid consumers. Yet, the elderly are natural prey to an assorted number of shoddy schemes specifically designed to bilk this vulnerable sector of our community.

Purchasing merchandise, via mail order catalogues, often appears hastle-free to the less mobile. Many of those who pay in advance often receive nothing by return mail. Mail order provides these frauds an unfettered framework in which they can nurture and blossom. If the merchandise doesn't come or comes too late, the only access to gaining satisfaction may be a defunct box number. Work at home and get-rich-quick plans appeal to the home-bound citizen who is looking for a convenient way to supplement his or her income. These promotions are responded to by millions of uninformed consumers who think that a "guarantee" is all that's needed to legitimatize a business and solidify a profit. Often, due to the embarrassment suffered by the victims of these swindles, the violations go unreported and are thus able to continue.

Since the postal service, via the daily mail, introduces the consumer to a majority of these fraudulent operations, Senator Heinz's Senate Bill No. 4107 would provide postal authorities with additional salvos to protect against this type of criminal action and to develop methods for curbing future abuse of the United States mail service.

Not only are business plans widely dispersed among older Americans in the mail, but health products enjoy a prosperous existence in the mail order realm. The "aiding" citizenry succumbs to a variety of health aids, energy supplements, and super pills that are destined to "help one regain that youthful glow."

A distinct dilemna attaches to this area of the health field, as substantial purchases of necessary medications must be regularly made by most members of the senior community. Problems existed when states restricted price shopping by making it illegal for pharmacists to advertise their drug prices. The case of Pennsylvania State Board of Pharmacy vs. Pastor, 441 Pa. 186, 272 A. 2d 487 (1971), declared such practice unconstitutional in Pennsylvania, and determined that . . . "the poor and elderly cannot afford this lack of information." Competitive pricing of legitimate prescription drugs has now become commonplace, thus, clearing the way for a buyer's market in vital medications.

Generic drugs offer the comparable quality of brand name medicine at decidely lower prices. The law merely provides the consumer a vehicle of choice.

Selling medical apparatus provides a bonanza opportunity for unscrupulous businesses to gather ill-spent dollars. From extraneous wheelchair contraptions to mis-fitted hearing aids, the sales pitch is caught by many an unwary buyer - and then passed on. Older citizens, without access to alternative treatment, can easily be

persuaded into dealing with "SALES CENTER" carrying medical equipment, without first obtaining requisite medical advice.

Included among the more difficult aspects of the aging process is the nursing home syndrome. To go, or not to go; but for some that choice doesn't exist. The "nursing home" has become an institution integral to the age of the nuclear family. Shaded landscapes, harmonious group activity, and plentiful personal assistance, should always be viewed suspiciously by those shopping for their "new home."

Those elderly who are able to sustain their own homes should be constantly alerted against other surprises, namely, home repair services and door-to-door fix-it companies. A few "nevers" to be remembered when hiring repair people: Never pay in advance; never hire without first checking with a Consumer Agency or Better Business Bureau; and never think you are getting a "deal" - you probably aren't.

Law enforcement has a burden, as does the government of giving the senior citizen every possible protection, including an educational awareness program designed to fully inform consumers of these lurking dangers.

I am hopeful that the interest of the Senate of the United States on this topic will be the catalyst for providing the numerous forms of safeguards and protections that our senior citizens need to continue to lead their lives happily and peacefully.

Yours truly,

Richard A. Lewis
District Attorney

RAL/fp
cc: The Honorable John H. Heinz III
United States Senator

OFFICE OF THE DISTRICT ATTORNEY
BUCKS COUNTY COURTHOUSE
DOYLESTOWN, PENNSYLVANIA 18901

MICHAEL J. KANE
DISTRICT ATTORNEY
(215) 348-2911

August 14, 1981

Senator John Heinz
Chairman, Special Committee on Aging
United States Senate
Washington, D.C. 20510

Re: Frauds Against the Elderly

Dear Senator Heinz:

Enclosed please find my prepared statement for inclusion in the record of the "Frauds Against the Elderly" hearing recently held before the U.S. Senate Special Committee on Aging. Thank you for affording this office the opportunity of stating our concerns to the Committee.

Very truly yours,

Michael J. Kane
District Attorney

MJK:elu

Enclosure

OFFICE OF THE DISTRICT ATTORNEY
BUCKS COUNTY COURTHOUSE
DOYLESTOWN, PENNSYLVANIA 18901

MICHAEL J. KANE
DISTRICT ATTORNEY
(215) 348-2911

United States Senate Special Committee on Aging
Washington, D.C. 20510

PREPARED STATEMENT OF MICHAEL J. KANE,
DISTRICT ATTORNEY OF BUCKS COUNTY, PENNSYLVANIA

Each year, the Office of the District Attorney of Bucks County, Pennsylvania handles thousands of criminal prosecutions covering a wide spectrum of illegal activity. Included among the crimes prosecuted are those in the consumer fraud area. Because of the volume of consumer complaints received by our office, we first established a special consumer fraud division in 1971. Detectives and assistant district attorneys were assigned to fulltime investigations of problems brought to our attention by consumers, and where appropriate, criminal actions were commenced. Our consumer fraud unit functions in much the same way today; recording complaints brought by consumers, investigating those complaints for possible criminal violations and filing criminal complaints against individuals and corporations which have perpetrated criminal fraud against consumers. Often, criminal prosecution is not authorized under the Pennsylvania Crimes Code. In those situations, our office makes every effort to resolve a consumer's complaint and when this effort is unsuccessful, the consumer is referred to the appropriate state agency or civil process necessary to obtain the appropriate relief. Recognizing the speal needs and problems of the elderly, this office has also established a victim-witness program, a segment of which is specifically oriented toward alleviating the apprehension of the elderly victim who perhaps has never before been a part of the judicial process.

This office investigates over 500 complaints by consumers each year. Of that number, we estimate that half of the victims of consumer fraud are over fifty-five (55) years of age. Among the areas of fraud against the elderly seen most frequently are the following:

(1) Landlord-tenant complaints

Elderly residents are being threatened, harassed and even assaulted in an effort to force them to vacate their "low-rent" apartments. Often, elderly tenants are too intimidated by their landlords to file complaints with the police. Then, when complaints are filed, the elderly person is too afraid to testify;

(2) Deceptive advertising

The Pennsylvania Crimes Code, 18 P.S. § 4107 (5) makes it a crime for anyone to make a false or misleading statement in any advertisement addressed to the public for the purpose of promoting the purchase or sale of property or services. The elderly are particularly vulnerable to to this crime. Often home-bound, the elderly person may answer ads for "making money at home," or getting "free" or "discounted" merchandise. Of course, a mail-in deposit is necessary and most times, the consumer will never see either the merchandise ordered it will never be sent the items to be sold "at home";

(3) Unordered merchandise

Senior citizens are frequently the recipients of unordered merchandise. The senders of these items wage a full-scale war against the recipient to "pay up or else". Often the elderly are intimidated into paying for the unwanted and unordered items.

(4) Theft by Deception

Another form of Deceptive Business Practices, the crime of Theft by Deception is often perpetrated on the elderly. A newspaper advertisement may proclaim that fifty acres of prime waterfront land is available in Florida for only $500. The senior citizen, thinking Florida the perfect place to retire, will eagerly sent in the $500 only to find that "waterfront" means under wate

The aforementioned areas of consumer fraud are by no means the only methods by which all individuals, but particularly the elderly are defrauded. Also deserving of mention are the false promises to perform home repairs, false promises to cure every possible ailment with a new "miracle" drug and the ever-present bad check method of payment. This office makes every legal effort to stop these and the countless other methods of defrauding consumers.

Although this office investigates most consumer complaints referred to us, we are unable to prosecute many of them because of the limitations imposed by the Pennsylvania Crimes Code. Our statutes are not geared to prosecutions for the kinds of fraud perpetrated on consumers. Moreover, under Pennsylvania Law, mere failure to perform a promised act is not construed as criminal conduct per se. Criminal intent is often difficult to prove beyond a reasonable doubt, especially in performance cases. Also, the perpetrators of advertising and mail order fraud are often not within the Commonwealth of Pennsylvania thus making jurisdiction virtually impossible to obtain.

This office commends Senator Heinz and the Senate Committee on Aging for proposing Senate Bill 1407. Enlarging upon the U.S. Postal Service's ability to prosecute cases of consumer fraud which are beyond the reach of this office will be a welcome development in the law. Within more avenues available to senior citizens and all persons who have been defrauded, perhaps the instances of consumer fraud will diminish. Be assured that this office will continue to aid the elderly and all citizens of Bucks County by making consumer fraud investigations and prosecutions an integral part of our enforcement of Pennsylvania Law.

Washington County

Daniel E. Chunko
First Assistant

Debbie O'Dell
Second Assistant

Assistant District Attorneys
James N. Brady
Daniel E. Long, Jr.
Michael S. Oreski
Frank C. Roney, Jr.
Grayce R. Kovacs
Bradley M. Bassi

Detectives
Walter J. Marna
Chief
William Verno

Office of the District Attorney

HERMAN J. BIGI
District Attorney
WASHINGTON, PENNSYLVANIA 15301
Telephone (412) 228-6792

July 31, 1981

HONORABLE JOHN A. HEINZ
United States Senate
Special Committee on Aging
Washington, D. C. 20510

Dear Senator Heinz:

Thank you for your letter of July 24, 1981, and your interest in the elderly. I cannot attend the meeting in Harrisburg on August 4, 1981, since this is our last week of criminal court until September.

I strongly endorse your feelings concerning Senate Bill 1407 and urge that it be passed forthwith. If there is any aid or assistance our office can give you in Washington County please feel free to contact me.

Very truly yours,

HERMAN J. BIGI
District Attorney

HJB/tm

RICHARD G. SKONIECZKA
CHIEF OF POLICE

LOUIS J. TULLIO
MAYOR OF ERIE

City of Erie
PENNSYLVANIA

BUREAU OF POLICE

ADDRESS ALL COMMUNICATIONS TO THE CHIEF OF POLICE

August 3, 1981

Senator John Heinz, Chairman
Special Committee on Aging
Washington, D.C. 20510

Dear Senator Heinz:

I am sorry I will be unable to attend the hearing regarding frauds against the elderly, but I am pleased to hear that the Senate is interested and attempting to rectify some of these problems as we all do age to some degree from the day we are born and hopefully will reach that Senior Citizen Plateau.

We have experienced some problems over the years with con men who at times do succeed in bilking our elderly persons out of part or parts of their life savings as there are various schemes that are a part of our records.

The tactics they utilize are either scare tactics or they prey on a person's need for money. For instance, they may advise a person that their roof will begin leaking if they don't immediately have it sprayed with a special compound or that the furnace may blow up if it isn't serviced.

I believe a public service program advising the elderly how they can be duped is essential, along with the Crime Prevention Programs that have been instituted by most Police Departments.

We also attend meetings with our senior citizens to discuss their problems and advise them of our problems and how we can help them.

Sincerely yours,

Richard G. Skonieczka
Chief of Police

RGS:rz

OFFICE OF
MICHAEL H. RANCK
DISTRICT ATTORNEY OF LANCASTER COUNTY

HENRY S. KENDERDINE, JR.
FIRST ASSISTANT

JOSEPH C. MADENSPACHER
ADMINISTRATIVE ASSISTANT

EDWARD F. BROWNE, JR.
APPEALS DIVISION

HEATHER J. MUMMA
DOMESTIC RELATIONS DIVISION

WILLIAM C. HAYNES
JUVENILE DIVISION

COURTHOUSE
LANCASTER, PENNSYLVANIA 17602
717-299-8100

CHARLES A. ACHEY, JR.
LOUISE G. HERR
JOHN A. KENNEFF
RICHARD A. SHEETZ, JR.

CHARLES E. SIMMONS
CHIEF COUNTY DETECTIVE

August 18, 1981

Senator John Heinz, Chairman
Special Committee On Aging
United States Senate
Washington, DC 20510

Dear Senator Heinz:

Congratulations on your work to cut down on "frauds against the elderly". Your letter of July 24, 1981, concerning the hearing in Harrisburg on August 4th, arrived too late to permit the submission of testimony at the hearing.

I am very concerned about this subject matter and thought I would submit to you our experience. Lancaster County has a volunteer consumer protection commission, with a paid secretary. All complaints cross my desk for screening for possible criminal acitivity. This enables me to see patterns developing which otherwise might not be perceived by individual police departments.

Most of the complaints that we receive do come from the elderly. The types of complaints, in the order of their frequency, are as follows:

1. Disputes between purchasers and retail sellers including problems returning items.

2. Complaints referring to home construction and repair work.

3. Complaints regarding automobile repairs and charges.

4. Complaints regarding automobile sales.

5. Complaints in reference to mobile home and home sales.

I appreciate your concern in this very important area. If there is anything that I may do to be of service, please let me know.

Sincerely,

Michael H. Ranck
District Attorney

MHR/clm

C. JOSEPH REHKAMP
DISTRICT ATTORNEY
8 S. CARLISLE ST.
NEW BLOOMFIELD, PA. 17068
TELEPHONE: (717) 582-2711

R. SCOTT CRAMER
ASSISTANT DISTRICT ATTORNEY
CENTER SQUARE
DUNCANNON, PA. 17020
TELEPHONE: (717) 834-8700

THE OFFICE OF THE
PERRY COUNTY DISTRICT ATTORNEY

August 21, 1981

Mr. John Rother
Staff Director
U.S. Senate Special Committee on Aging
G-233 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Rother:

In response to the enclosed letter from Senator John Heinz dated July 24, 1981, I would like to belatedly voice my support for Senate Bill 1407. Crimes against the elderly and mentally and physically handicapped people are not often pursued in the courts, and it is gratifying to see that the legislature is taking some action to remedy the situation.

I have been District Attorney in a rural county since 1976, and I have prosecuted very few cases where an elderly victim was defrauded out of money or other property. I feel that the elderly citizens should be informed through local agencies such as the Office of the Aging of techniques to obtain evidence against perpetrators of fraud in cooperation with their local police. Public hearings such as the one held earlier this month are helpful in informing the elderly of the existence of such scams; but this should be followed through with suggestions on how to prevent the operation of such fraudulent practices through cooperation with the local police in reporting these crimes. I suspect that many elderly people do not want to become involved, and this is exactly why they fall easy prey to such criminals.

Sincerely yours,

C. Joseph Rehkamp

C. Joseph Rehkamp

CJR:pg
Enc.

Advertisement Advertisement Advertisement

Here Is The Surprise News That American Men And Women Can Collect From Social Security Starting As Young As At Age 30!

The Amazing Hidden Money Secret Of The Social Security Department!

Do You Know Exactly How Much Money You Have In Your Social Security Account In Washington?

By JOHN P. CLARK

WASHINGTON, D.C.–You may be cheating yourself out of big money from Social Security and Medicare. And, you do not have to be over 60 or retired to start collecting.

Almost a million American men and women, starting as young as 30 years of age get Social Security checks each and every month.

But, no one in Washington, D.C. will write to you and tell you about these benefits, payments and services.

You must know about them; you must know how to apply for them. Then your checks can start to arrive regularly.

For example, has anyone in government ever told you how much of your money is already in the Social Security fund?

No. Even the government takes the money out of your pay every week.

Would you like to know exactly how much you have invested in Social Security now, and how you can start getting every penny you've got coming to you?

Then would you like to know how to get the most from that investment including all the brand new 1981 Social Security payments and benefits?

Now you can do both. When you fill in the Official Form reproduced in this story and send it to the publisher, it will be sent to the proper government office. They will run a check on your account and then send you a report in a confidential sealed envelope. This report will tell you how much of your earnings have been recorded in your Social Security account year by year. There is no charge for this service, not even postage.

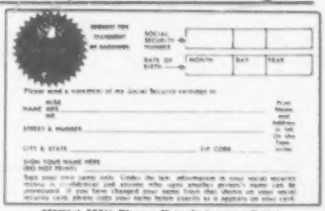
And, when you follow the simple instructions at the end of this story, you will receive a copy of a new book: "The Hidden Money Secret Of The Social Security Department."

If you think that you have to wait until retirement to start collecting your Social Security payments and benefits, this book will really open up your eyes.

Here are some of the little-known facts about Social Security and Medicare you will find out about in this book:

- *How to increase the amount of your payment if you are already on Social Security.*
- *How to collect your share of the brand new Social Security benefits just passed by Congress.*
- *How to qualify for Social Security disability pensions at any age.*
- *How to increase your Social Security benefits.*
- *How to report your Farm income for Social Security.*
- *How to make your whole family eligible for Social Security benefits, even your youngest children.*
- *How to replace a lost Social Security card.*
- *How to replace a lost Social Security check.*
- *How to get a refund if you have overpaid your Social Security taxes. (Studies show that two out of three people overpay.)*
- *How to figure out what your Social Security retirement payments should be.*
- *Should you tatoo your Social Security number on your body?*
- *What papers do you need in order to file a Social Security claim?*
- *How ten million people who are only 30 years old, on the average, collect Social Security.*
- *Should you get a divorce in order to get more Social Security? (a lot of people already have.)*
- *Should you have two Social Security cards?*
- *How to get a huge lump sum Social Security payoff.*
- *How to make sure your employer is not cheating you on your Social Security.*
- *How you may be cheating yourself out of your Social Security benefits.*
- *When are the five times you should get in touch with your Social Security office?*
- *How to work and still get Social Security benefits.*
- *How to cash in on Social Security even if you've never paid a penny into it.*
- *How to get hospital and medical insurance for the aged.*
- *How students between the ages of 18 and 22 can get Social Security cash benefits.*
- *How to get the special Social Security benefits that are only for veterans.*

It is sad to say that until now there has been no easy way for the average man or woman to find out about all these payments, benefits and services.



OFFICIAL FORM: When you fill out this form you will get a report in a sealed envelope showing exactly how much money has been recorded in your Social Security Account in Washington, D.C. There is no charge for this service, not even postage.

Even though, heaven knows, it has been easy enough for the government to take your money.

Today there is a way, the brand new book called "The Hidden Money Secret Of The Social Security Department."

It is easy to read and easy to follow. Remember, it is not enough to qualify for Social Security payments, benefits and services.

To get your benefits and payments, even starting as young as 30 years of age, you must know how to apply for them.

This book tells you how to qualify, including all necessary names and addresses of the people you must contact, and even what to say.

Although this book can mean hundreds and perhaps thousands of dollars to every man and woman in America, it is priced at just ten dollars.

You can order this book today by mail without a worry in the world because it is a 100% no-risk offer. Start using it the minute it arrives in your home. If you don't find out exactly how to get at least $500.00 worth of new benefits, payments and services from Social Security and Medicare, return the book to the publisher who will return your money without quibble or question. You still get the confidential report on your Social Security account.

To order, write your Name, Address and Zip Code, and the words "Social Security" on a piece of paper. Also, fill in the Official Form. Send both with $10 cash, check or money order to:

Liberty Publishing, Dept. SS-156
Suite 204
185 Cross Street
Fort Lee, New Jersey 07024

If you don't take advantage of your new 1981 Social Security and Medicare benefits, payments and services, you are only cheating yourself since you have already paid for them.

SCM:ph
G.C. 189-81-P

DOCKET NO.

UNITED STATES POSTAL SERVICE

WASHINGTON, D. C. 20260

In the Matter of the Complaint Against) June 26, 1981
)
LIBERTY PUBLISHING)
185 Cross Street)
)
at) P.S. Docket No. 11/136
)
Fort Lee, New Jersey 07024)

COMPLAINT

Complainant, the General Counsel of the United States Postal Service, having reason to believe that Respondent, doing business under the name and at the address set forth in the caption hereof, is engaged in a scheme or device to obtain money or property through the mails by means of false representations in violation of 39 U.S.C. § 3005, complains and alleges as follows:

I.

Respondent attracts attention to its scheme by means of solicitations to purchase a book that are sent by mail to members of the public and printed in publications of general circulation, all of which solicitations are calculated to induce the reader to remit money or property through the mail.

II.

The advertisement shown at Exhibit 1 is typical of those referred to in Paragraph I.

III.

By means of the promotional materials referred to in paragraph 1, respondent represents expressly or impliedly, in substance and effect, that:

(a) Any purchaser will be able to obtain a minimum of $500 in new benefits, payments, and services from Social Security and Medicare as a result of reading the book respondent provides.

(b) Information about the benefits, payments and services of Social Security and Medicare is not readily available to the ordinary person.

(c) Information about the benefits, payments and services of Social Security and Medicare is not offered and freely made available to the public by the U. S. Government.

(d) Respondent's book provides reasonably accurate and current and complete information.

The aforesaid representations are materially false as a matter of fact.

WHEREFORE, Complainant requests that an Order conforming with 39 U.S.C. § 3005(a) (1) and (2) be issued against respondent.

Respectfully submitted,

LOUIS A. COX
General Counsel
COMPLAINANT

By: George C. Davis
Assistant General Counsel
Consumer Protection Division

Sandra C. McFeeley
Counsel for Complainant
Consumer Protection Division
475 L'Enfant Plaza, S.W.
Washington, D. C. 20260
(202) 245-4385

DOCUMENTED CASES

Submitted By
PEGGY H. ADAMS, DIRECTOR
BUCKS COUNTY DEPARTMENT OF CONSUMER PROTECTION

SENIOR CITIZENS - HOME IMPROVEMENT AND MAINTENANCE

Many Seniors reach a point where they must hire someone to do the maintenance work they no longer are able to do.

#80-5-458

A woman hired a landscaper to do some yard work, she failed to get anything other than a post office box number and a phone number. The landscaper was using a fictious name, which complicated the situation. Where he had supposedly planted ground cover, all that grew were weeds. We were able to determine his proper name and his address for the consumer. She recovered her money.

#81-7-706

In 1979 a Senior couple needed some repairs to a concrete walk. The contractor said he had to have all the money in advance. He started the job but never completed it. Meanwhile, the husband died and the widow has not been able to get the job completed. They did not think to hold back a portion of the total amount until the job was completed satisfactorily. We just received this case and are trying to contact the contractor to have him resolve this matter.

80-12-1299

An 80 year old woman found an ad for a roofer in a church paper. Without checking any further into his references, she hired him to fix her roof. Three hundred fifty dollars later, her roof still leaks. She refuses to file in small claims court as she is afraid of going to court. Many Seniors feel this way and contractors know and take advantage of this fact.

#77-12-586

A trusting widow, on Social Security, signed a contract with a roofer without getting any references. She then compounded the error by giving him $450.00 in advance. To this day our office has been unable to locate this man; he has gone out of business.

SENIOR CITIZENS - MAIL ORDER

Because of decreased mobility and fixed income, many Seniors take advantage of ordering supposed "bargains" by mail.

#81-4-407

A senior woman, hoping to stretch her budget, ordered merchandise purported to be valued at more than double the cost. She was not pleased with the goods, so she sent a letter cancelling the order; but, she received another package anyway. She refused delivery, but the company proceeded to bill her for the items. They sent letters inferring they were going to turn this over to a collection agency if she did not pay the bill. The consumer called our office very upset that her credit rating would be ruined. We contacted the company and straightened the situation out. They sent the Senior a notice saying her account was credited.

Statement of Peggy H. Adams, Director
Bucks County Department of Consumer Protection

SENIOR CITIZENS - MEDICAL INSURANCE, BILLING, MEDICAL DEVICES

Because of illness and failing faculties, insurance and medical devices are important items in senior budgets.

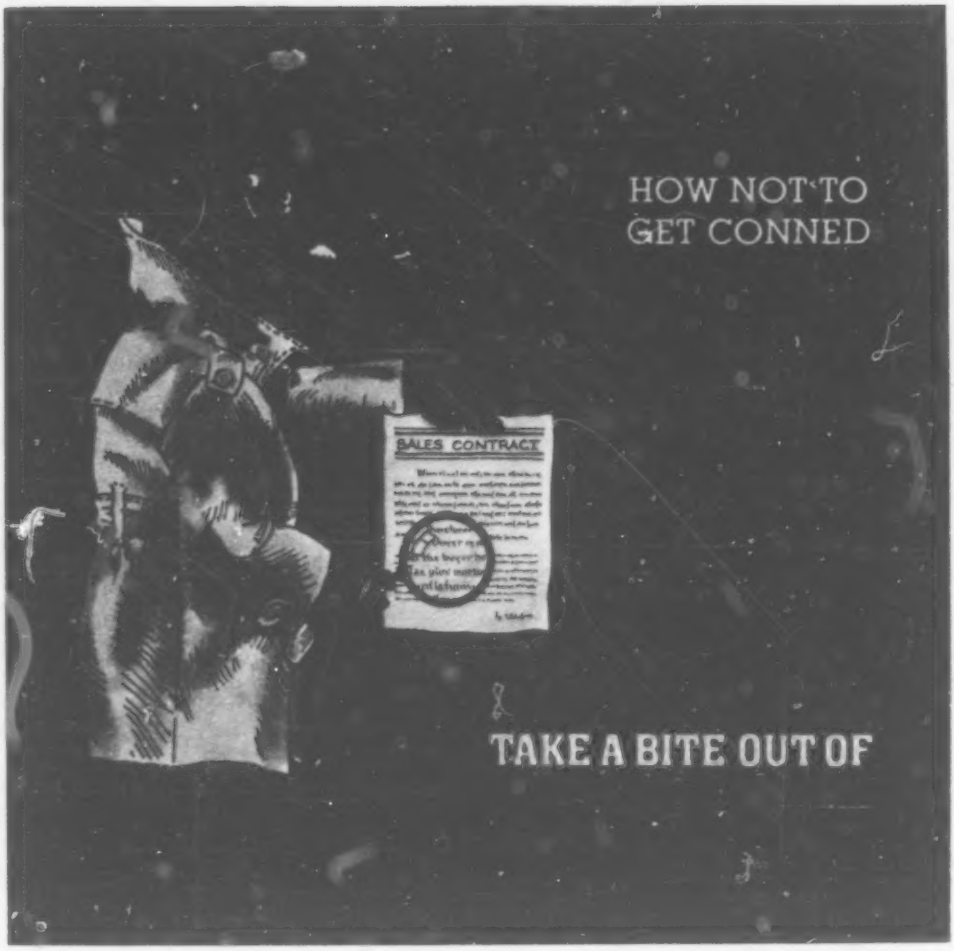
#81-5-478

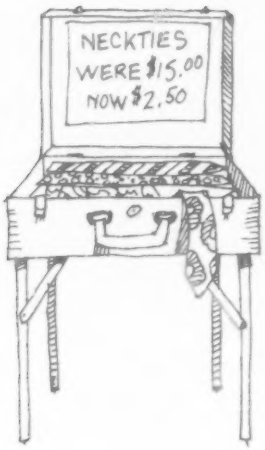
After a caterac operation a senior went for eyeglasses. The optician told him medicare would pay approximately $258.00 of a $315.00 bill for contact eyeglasses. When he received payment from medicare only $152.00 was approved. Of this amount he received $73.60. Medicare will not inform seniors prior to being billed what is the most that will be paid. The optician now says he only quoted this figure from information received from other patients.

SENIOR CITIZENS - DECEPTIVE ADVERTISING

81-6-667

A senior citizen saw a coupon in the telephone book for $10.00 off on television repairs. The company sent someone out to repair the television. One and a quarter hours later they were presented with a bill for $90.000. Forty dollars of this amount was for parts. By checking with other T.V. repair shops they discovered the most the part should cost would be $2.00. An investigator from our office went to the repair shop and they agreeded to return $25.00 to consumer.


HOW NOT TO
GET CONNED
SALES CONTRACT
TAKE A BITE OUT OF



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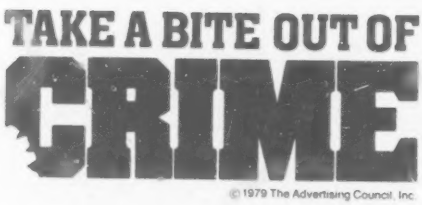
"Nobody would fall for a fraud if it looked like a fraud, right? So most of the time it looks like something else–a good deal, a business opportunity, a gift, or a chance to make a quick buck.

Fraud works because people don't recognize it until it's too late. To stop fraud, you've got to know it when you see it. The tips in this book will tell you how to..."



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Know Your Con

If someone wanted to take your money, how could he get it? The common crook might try a hold-up. But what about the less common crook? The con artist. The dishonest businessman. The cheat. They're after your money too. But they don't use a gun. They use fraud.

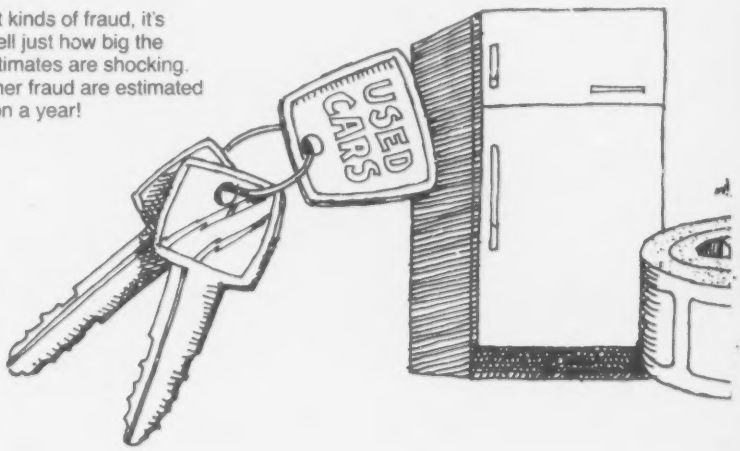
Fraud includes many different activities. A con game is fraud: a crook tricks a victim into handing over some money, and then takes off with the cash. Shady or dishonest business practices are fraud: they convince consumers to pay more money than a product or service is worth. Phony investment deals or fake business opportunities are frauds: they take advantage of a person's desire to make money.

With so many different kinds of fraud, it's almost impossible to tell just how big the problem is. But the estimates are shocking. Losses due to consumer fraud are estimated to be at least $21 billion a year!

"Now that's a big problem. Just keep reading. I'll show you some of the most common consumer frauds, and tell you how to avoid 'em."

Free enterprise. The open market. It's the American way. And most of the time it works.

Unfortunately, it works for dishonest businesses as well as honest ones. Unscrupulous businesses don't mind taking advantage of an unwary customer. "Let the buyer beware" is their motto – and you might be the buyer.



Here are good rules to follow **all the time** – whether or not you suspect a fraud:

- Don't believe something for nothing offers. You get what you pay for.
- Be suspicious of high-pressure sales efforts.
- Take your time. Think about the deal before you part with your money.
- Get all agreements in writing. Insist that agreements are in "plain English" not "legalese."
- Read all contracts and agreements before signing. Have a lawyer examine all major contracts.
- Compare services, prices, and credit offers before agreeing to a deal. Ask friends what their experiences have been with the firm or service in question.
- Check the firm's reputation with your Consumer Affairs Office or local Better Business Bureau.

If you follow these tips, you'll make things hard for the swindler. And you could save yourself a lot of money.

Fraud artists frequently rely on the same old tricks. You'll find that you may even be familiar with some of them. The list that follows includes some of the more common frauds. Don't be surprised after you've been conned. Watch out for these frauds:

"Some of us don't know a spark plug from a widget. So when our car or refrigerator breaks down, we call the experts, right? Most of them are out to do a good job. But some are more interested in takin' our money than in fixin' the problem. Here's how to spot the crooks."

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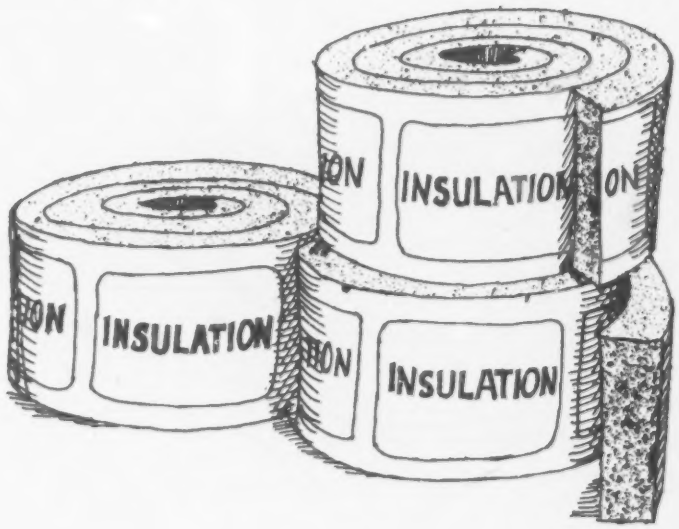
Repair Fraud

Repair frauds are simple to execute but difficult to detect. Some crooked repair people don't fix the problem but they charge you anyway. Some use inferior parts. Others charge you for work that you didn't expect. Some even do "insurance" work – they'll repair one thing, but make sure that something else will soon go wrong.

How can you protect yourself from repair fraud?

- Shop around. Ask friends, neighbors, or co-workers for references. When you find repair people you trust, stick with them.
- Don't try to diagnose the problem yourself unless you're an expert. The mechanic may take your advice, even if it's wrong. If you do know exactly what the problem is, don't tell the mechanics. Wait and see if their recommendations agree with your diagnosis. That way you'll know whether needless repairs are suggested.
- Try to get several detailed written estimates before any work is done. Compare job descriptions and materials to be used. Be sure to ask if there is a charge for an estimate.
- Ask for the old parts to make sure that replacements were really installed.
- Make sure you get a guarantee on any work that's done.
- **Before** you pay, make sure the work was done. Take your car for a test drive. Plug in the refrigerator. Test the TV.
- Some state laws require auto repair firms and other kinds of professional services to be **licensed** or **certified.** Ask your local Consumer Affairs Office about the law in your state and what specific protection it gives.

"Everyone wants to cut heating bills, right? Good idea, but be careful! One company went door-to-door, offering to install insulation at a good price. A lot of people took the bait, signed on the dotted line, and handed over hefty down payments. Those people are still waiting. They never got their insulation, and the con artists took off with the cash."



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Home Improvement Fraud

Home repairs and improvements can be costly. So watch out if somebody offers to do an expensive job for an unusually low price. Or if a firm offers to make a "free" inspection. Or if the workers just "happened to be in the neighborhood."

These are the favorite tricks of dishonest home repair firms. Some offer a price you just can't resist. Once you sign the contract, you learn why: they never deliver the service! Others send door-to-door inspectors to do free roof, termite, or furnace inspections. You can bet these "free" inspections will turn up plenty of expensive repairs. Some fly-by-night companies will offer to do the work on the spot. When they leave, you may be left with a large bill and a faulty repair job.

To avoid home improvement and repair frauds, try the following:

- Always get several estimates for every repair job, and compare prices and terms. Check to see if there is a charge for estimates.
- Ask your friends for recommendations. Or ask the firm for references – and check them.
- Check the identification of all "inspectors."
- Call the local Consumer Affairs Office or Better Business Bureau to check the company's reputation **before** you authorize any work.
- Be suspicious of high-pressure sales tactics.
- Pay by check – never with cash. Arrange to make payments in installments – one-third at the beginning of the job, one-third when the work is nearly completed, and one-third after the job is done.

"Never buy anything site unseen! Remember, what you see in a sales brochure may not be what you get in reality. Protect your investment. Make a personal visit to your future home."

Land Fraud

Real estate can be a great investment. The enterprising real estate salesperson knows how anxious you are to find just the right property – especially for an investment or retirement home. A nice, warm climate? Not too crowded? A new development? Some dishonest agents will promise you anything – swimming pool, country club, private lake – to get your name on the contract.

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Even if the sales agents promise you luxury, they may **not** guarantee the basics, like water, energy sources, and sewage disposal.

Most land developers offering 50 or more lots (of less than 5 acres each) for sale or lease through the mails or by interstate commerce are required by law to file a Statement of Record with the U.S. Department of Housing and Urban Development. This document tells you almost everything you need to know about your future home: legal title; facilities available in the area such as schools and transportation; availability of utilities and water; plans for sewage disposal; and local regulations and development plans. All this information must be given to you in a **property report** prepared by the developer. **Always ask to see this report before you sign anything.**

If the developer doesn't give you a copy of the property report for the lot you're considering, you can obtain it from HUD for a $2.50 fee. Write to:

Department of Housing and Urban Development
Office of Interstate Land Sales Registration
451 Seventh Street, S.W.
Washington, D.C. 20410

Business Opportunity

Work at home manufacturing automobile accessories. We provide parts, you provide labor. Small initial investment for parts, but purchase of finished products ***guaranteed.*** *Call Ralph at 555-1234.*

Some work-at-home ventures are honest. This one isn't. What this ad doesn't say is that finished products must meet a certain standard of quality before the company will buy them. And the unwritten guarantee is that very few products will be able to satisfy those quality standards – and very few people will sell their wares. There are other business opportunity schemes too: Vending machine rentals. Franchises. Be on the alert. Don't be fooled by phony "opportunities."

- Make sure all promises are given in writing.
- Check the company's reputation with the local Consumer Affairs Office or Better Business Bureau **before** you agree to participate.
- Ask for a list of other participants. Contact them before you sign up.

Investment Frauds

There are dozens of different investment frauds. Sometimes people are offered the "chance of a lifetime" to invest in a promising new company. The swindler takes the investor's money and quietly goes out of business. Another type of investment fraud is the "pyramid franchise." The investor buys a dealership for hundreds or thousands of dollars, and recruits other distributors or salespersons. Eventually, there are hundreds of distributors, but no one to sell the merchandise. Those at the top make lots of money before the pyramid collapses, leaving the individual investors without their cash.

Watch for these warning signs:

- High-pressure telephone sales efforts.
- The investment seems too good to be true.
- The emphasis is on setting up dealerships rather than selling a product.
- Potential investors are not encouraged (or allowed) to contact other investors.
- The promoter does not offer to "buy back" any unsold merchandise.

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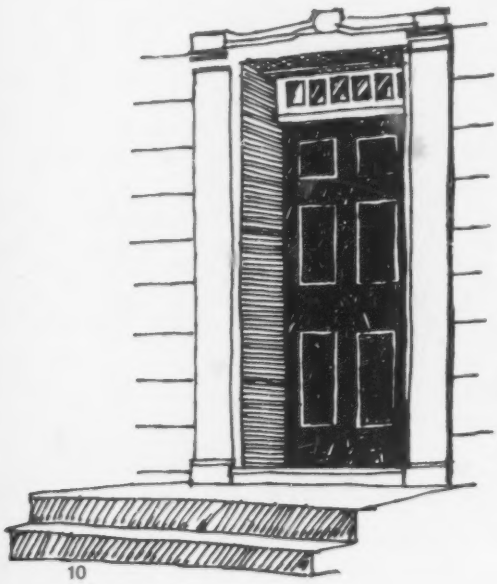
"I know some door-to-door salespeople and most of them are honest and hard-working. But there are a few who try to cheat their customers. Be careful. They usually give themselves away. Watch out for these 'catchwords'":



10

Door-to-Door Sales

"Small monthly payments": Used to disguise the total cost of the item, which is usually outrageous. The vacuum cleaner you buy for "only" $10 a month for 4 years will cost you $480!

"Nothing like it in the stores!" True. The vacuum cleaners in the stores are probably of better quality and come with a better warranty.

"Won't find this price anywhere!" True. The prices in the stores are probably lower.

"Easy credit!" True. They don't care what your credit rating looks like. Once you sign for the purchase, paying for it is **your** problem. Be wary of "low monthly payments." Find out the total amount you'll pay over the life of the loan. Then subtract the actual cost of the item itself. The difference is what you'll pay in interest. Your bank, credit union, or local legal aid society can tell you if the interest rate is fair.

Watch for these words and be firm if the salesperson pressures you to buy. If you do get trapped, you're protected by a new Federal Trade Commission regulation. **Whenever you make a purchase in your home totaling $25 or more, the salesperson must give you a written contract and two Notice of Cancellation Forms. You have three days to change your mind and use one of those forms to cancel your contract.**

Charity Fraud

Charity fraud does a lot of harm. The swindler takes advantage of people's good will and takes their cash – money that was meant for people in need.

You can make sure that any money you give gets into the right hands. Remember these pointers when somebody asks you for a donation:

- Ask for identification – the organization, the solicitor. Find out what the purpose of the charity is and how funds are used. Ask if contributions are tax deductible. If you're not satisfied with the answers – don't give! You can also check the charity out with the National Information Bureau (212-532-8595) or the Philanthropic Advisory Service (202-862-1230). They can tell you whether the organization is a legitimate charity.
- Give to charities that you know. Check out the ones you've never heard of before, or others whose names are similar to a well-known charity.
- Don't fall for high-pressure tactics. If solicitors won't take "no" for an answer, give it to them anyway – but don't give them your money.
- Be suspicious of charities that only accept cash. And always send a check made out to the organization not to an individual.
- If a solicitor reaches you by telephone, offer to mail your donation. Shady solicitors usually want to collect quickly.

"You know, I think it's a great idea to help a guy in need. And one way to do it is to give to a charity. But you know what? Some people set up their own charity – one that helps only them."

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"Not long ago, I saw an ad for 'an amazing capsule reducing plan,' guaranteed to 'dissolve the fat right out of your body.' Sounded great – just what I needed to shed a few pounds. But investigators in Connecticut tested a few of those 'amazing' capsules. You know what they found? Those pills were nasal decongestants – the kind you take when you have a bad cold. They might get rid of your sneezes, but they won't do much for your extra pounds!"

Self Improvement Fraud

The ads can look pretty tempting:
"Miracle reducing plan."
"Look like a model in only 5 days."
"Learn to speak Spanish while you sleep."
"You can have a new, dynamic personality!"

Con artists know that everyone wants to look better, feel better, be a "better person." Selling worthless plans and cures is one of the easiest ways for them to make a quick buck.

What can you do? Be careful! Read the small print. Know what the product contains. You should check with your doctor before you embark on any diet or exercise programs.

Medical and Health Fraud

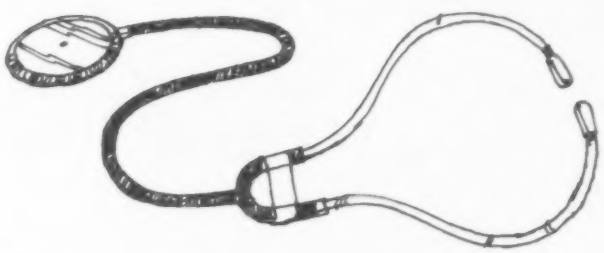
Most of us don't know much about medicine. That's why we go to doctors.

It's also why we fall for "miracle cures" and other phony health products and services.

Patent medicines. Health spas. Mail-in lab tests. All these should be warning signs for the potential consumer.

A laboratory in Texas advertised nationally that it had perfected a fail-safe urine test for cancer. More than 15,000 tests were made at $10 each before authorities stopped this fraudulent outfit.

"My advice is: Take your doctor's advice. Use only the medical facilities and products recommended by your physician or health clinic."



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Unsolicited Merchandise

Cagey con artists will send you a "gift" in the mail – a tie, a "good luck" charm, a key chain. You didn't order it. What do you do?

If you're the kind of person they're looking for, you'll feel guilty and pay for it. But you don't have to.

- If you haven't opened the package, mark it "Return to Sender." The Post Office will send it back – at no charge to you.
- If you open the package and don't like what you find, throw it away.
- If you open the package and like what you find, keep it – **free.** This is a rare instance where the rule of "finders, keepers" applies unconditionally.

Whatever you do, don't pay for it. Look at your "gift" as an honest-to-goodness way of getting something for nothing. And don't get conned if the giver follows up with a phone call or visit – by law the gift is yours to keep.

Bait and Switch

Customer: I'm looking for the $100 stereo system that was advertised in the paper.

Salesperson: This is it right here. As you can see, the case is slightly damaged and the speakers are pretty small. We're out of stock right now and don't expect any more for about three months.

You'd be better off with this set over here. For only $300 you get...

This is a classic case of "bait and switch." Either the store doesn't have the advertised item, or the salesperson makes it seem awful and steers you over to a more expensive item.

Steer clear. Insist on seeing the advertised item. If you decide it's what you want despite the sales pitch, insist on buying it. File a complaint with your local Consumer Affairs Office and Better Business Bureau so other people won't get conned.

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"We've talked about the ways swindlers can meet you face-to-face. But there's another way they can reach you – right inside your home. The U.S. Mail. Your own mailbox. Here are some common mail fraud schemes to watch out for":

Mail Fraud

The Contest Winner

"YOU'VE WON! This beautiful brand-name sewing machine is yours for a song! To claim your prize, come to our store and select one of three attractive cabinets for your new machine. Bring this letter with you and go home with a new sewing machine for next to nothing!"

Treat an offer like this carefully. Shop around before you claim your prize. Chances are the cost of the cabinet will be more than the machine and cabinet are worth.

The Missing Heirs

You've just received a very official-looking document. The sender is looking for the rightful heirs to the estate of someone with your last name. It could be you! To find out, just send $10 for more information.

Let's face it. There may be thousands of people with your last name, and letters like these are often mailed nationwide. Even if there really were an unclaimed estate, it's highly unlikely that you would be an heir. So save your $10. Why help a swindler get rich?

These are just two examples of mail fraud. Many of the other frauds described in this booklet can be handled through the mail. When they are, the U.S. Postal Service can launch a full-scale investigation.

If you think you've been cheated in a mail fraud scheme:

- Save all letters, including envelopes.
- See if your neighbors or business associates received the same materials.
- Contact your local postmaster, who can direct you to your regional Postal Inspector's Office.

"What's a con game? Most of the time it's a set-up. Swindlers prey on people who have a tidy sum to invest. Or a little cash in a savings account. They trick people into handing over their cash, and then leave them flat.

So it's called a con game. Most of the time, the swindlers win. You know why? 'Cause they cheat. They know the rules of the game. You don't.

Well, why not turn the tables? Here are some con game rules. Now **you'll** have the edge."

The Con Game

Pointers on the game. The best bet for winning the con game is to recognize the swindlers' moves. A few steps that should tip you off right away:

- Somebody offers you something for nothing or at a surprisingly low price.
- A stranger asks you about your personal finances.
- You are asked to pay large sums in cash.
- Someone asks you to help in a "secret plan."
- A stranger asks you to withdraw your bank savings in cash.

It may not be quite as simple as that, though. Swindlers come in many disguises and they're creative. Be alert. You have to recognize them and blow the whistle before they take your money.

"Want to know more? Let me introduce Marvin 'the sting.' He's an expert at the game, if you know what I mean. And he's gonna demonstrate some of his favorite moves."

The Pigeon Drop

You and Marvin are waiting for the bus. Marvin starts a friendly conversation. He says he's just found a large sum of money on his way from work. What should he do with it? Maybe his "boss" can suggest something. Marvin leaves to check and comes back a few minutes later. His "boss" said to divide the money, but first, each of you must put up some "good faith" money. Once you hand over your share, though, you'll never see it or Marvin again.

The Bank Examiner

This time Marvin is wearing a conservative three-piece suit. He tells you that he's a bank official and needs your help to catch a dishonest teller. All you have to do is withdraw your savings and give the money to him so he can check the serial numbers. If you do, you've been "stung." A real bank official would **never** ask you to withdraw your money.

Hard to believe that people fall for such tricks? Con artists may be the greatest actors you'll ever meet. These are two of the most popular **and most successful** con games around. Don't be fooled. Call their bluff before it's too late.

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What To Do If You've Been Conned

The con artist can be pretty persuasive. Sometimes you might not know you've been cheated until it's too late.

So what do you do? Lots of people don't do anything. They're too embarrassed to admit they were duped. Or they blame themselves. Or they think the authorities don't want to hear about a little con game.

If you don't report fraud, you're only helping the crooks. That's just what they want. Don't play into their hands a second time! Instead:

- Contact the police. If you're the victim of a fraud, they want to know about it.
- Contact your local District Attorney. Lots of D.A.'s now have special consumer fraud or economic crime units. And you can bet that they want to know if you've been swindled. Or see if your community has a Dispute Resolution Center. Specially-trained mediators from the community will help you resolve your complaint. Your Better Business Bureau may be able to help you, too. They'll arrange a meeting to hear both sides and try to work out a settlement satisfactory to both parties.
- Notify the local Better Business Bureau, Chamber of Commerce or Consumer Affairs Office. They can help steer other people away from dishonest companies and businesses.
- Complain to the store or business. And complain loudly. Sometimes a mistake looks like a swindle. They may be willing to settle your complaint. Or they may be able to identify and fire a dishonest employee.

For more information, send for a copy of the **Consumer's Resource Handbook.** It tells what Federal agencies are responsible for particular consumer problems and where help is available in state and local governments and private organizations. Single copies are free from:
Consumer Information Center
Department 635H
Pueblo, Colorado 81009

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"Remember that the frauds described here represent only a few of the con artists' tricks. They're in the business of bilking the public. So it's their business to think up new games and to put twists on the old ones. Be cautious and canny if you suspect a con. You'll be helping me to..."

TAKE A BITE OUT OF CRIME

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Organizations Participating in the Crime Prevention Coalition

The Advertising Council, Inc.
AFL-CIO Department of Community Services
American Association of Retired Persons
Bureau of Justice Statistics
Federal Bureau of Investigation
General Federation of Women's Clubs
Insurance Information Institute
International Association of Chiefs of Police
International Society of Crime Prevention Practitioners
Law Enforcement Assistance Administration
National Association for the Advancement of Colored People
National Association of Attorneys General
National Association of Counties
National Association of Criminal Justice Planners
National Association of Social Workers
National Center for Community Crime Prevention
National Conference of Christians and Jews
National Congress of Parents and Teachers
National Council on Crime and Delinquency
National Council of La Raza
National Council of Senior Citizens
National Crime Prevention Institute
National Criminal Justice Association
National District Attorneys Association
National Education Association
National Exchange Club
National Governors Association, Committee on Criminal Justice and Public Protection
National Institute of Justice
National League of Cities
National Organization of Black Law Enforcement Executives
National Retail Merchants' Association
National Retired Teachers' Association
National Rural Crime Prevention Center
National Sheriffs' Association
National Urban League
Office of Justice Assistance, Research, and Statistics
Optimist International
Service Corps of Retired Executives
U.S. Conference of Mayors
U.S. Department of the Army
U.S. Department of the Treasury, Direct Deposit Program
U.S. Jaycees

This booklet has been prepared by the Office of Justice Assistance, Research, and Statistics for the Crime Prevention Coalition. It is part of an overall public service campaign conducted in the public interest by The Advertising Council, Inc. in cooperation with the National Council on Crime and Delinquency and the Office of Justice Assistance, Research, and Statistics. Consultant support was provided by Carol Holliday Blew, Abt Associates Inc., Cambridge, Massachusetts (J-LEAA-030-76). Special appreciation is acknowledged for the voluntary services contributed to the project by the Dancer Fitzgerald Sample, Inc., advertising agency and by Edward W. Dooley, Vice-President, Citibank, N.A., campaign coordinator.

How To Spot A Con Artist

The Con Artist

The clever con artist is a good actor who disarms his victims with an affable 'nice-guy' approach. But behind this friendly exterior is a shrewd psychologist who can isolate potential victims and break down their resistance to his proposals. Each conquest is part of a game in which he must 'best' his fellow man.

The typical con artist is amoral — but seldom violent, and mobile, with an excellent sense of timing. He sincerely believes his victims deserve their fate. And, if caught, he'll probably strike again later. Con artists are seldom rehabilitated.

The Victim

Anyone can be a victim — even a person who considers himself too intelligent or sophisticated to be 'conned.' During the 1920s, 'Yellow Kid' Weil routinely swindled bankers, saying "that's where the money is."

Many victims share certain characteristics. Often, but not always, they are older, female, and live alone. They are trusting of others — even strangers — and may need or desire supplemental income. Loneliness, willingness to help, and

a sense of charity are characteristics a con artist will exploit to gain a victim's cooperation.

The con artist ultimately will exploit his victim's assets — including life insurance benefits, pensions or annuities, 'nest eggs,' home equity, or other tangible property. And he'll usually obtain the willing cooperation of his victim to complete his scheme.

Key Words

A con artist is difficult to detect by looks alone. But you can often spot him by his words or expressions, including:

CASH ONLY

Why is cash necessary for a proposed transaction?
Why not a check?

SECRET PLANS

Why are you being asked not to tell anyone?

GET RICH QUICK

Any scheme should be carefully investigated.

SOMETHING FOR NOTHING

A 'retired' swindler once said that any time you are promised something for nothing, you usually get nothing.

CONTESTS

Make sure they aren't a 'come-on' to draw you into a money-losing scheme.

HASTE

Be wary of any pressure that you must act immediately or lose out.

TODAY ONLY

If something is worthwhile today, it's likely to be available tomorrow.

TOO GOOD TO BE TRUE

Such a scheme is probably *not* good or true.

LAST CHANCE

If it's a chance worth taking, why is it offered on such short notice?

LEFT-OVER MATERIAL

Left-over material might also be stolen or defective.

Schemes

The list of fraudulent schemes is endless, but some of the more common con games involve:

HOME IMPROVEMENT

- home repair/improvement
- city inspector
- termites/pests

BANK RELATED

- bank examiner
- pigeon drop

INVESTMENT

- franchise/vending
- land frauds
- inventions
- security investments
- work-at-home

POSTAL FRAUDS

- chain letters
- magazine subscriptions
- unordered merchandise
- correspondence courses

OTHERS

- bait and switch
- charity rackets
- computer dating
- debt consolidation
- contracts
- dance lessons
- freezer plans
- psychic fraud/fortune tellers
- health clubs
- job placement
- lonely hearts
- medical quackery
- missing heirs
- referral sales
- talent scouts
- pyramid schemes
- fake officials

Some Rules

- Always investigate before investing money or signing a contract.
- Be suspicious about extraordinary promises of high or unusual monetary returns, or a 'bargain' no one else can match.
- Don't discuss your personal finances or give cash to strangers.
- Don't be too embarassed to report that you've been victimized or swindled.
- Testify in court, if asked, to help stop this kind of crime.

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The Con Game

Most successful con games are old schemes updated for today's circumstances. The old 'salting the gold mine' scheme is still being practiced, for example, but today's 'salting' occurs in living rooms, not abandoned mines.

In the old ruse, you may remember, unscrupulous mine owners would place a few gold nuggets in exhausted mines so they could sell them for inflated profits. In one recent scheme a con artist bought

six color television sets at the regular price from a retail store, then sold them, still in their cartons, to six prominent local persons for one-fifth of their original price. Later, he hired several high school students as telephone solicitors to sell 'carloads' of TV sets purchased new from a bankrupt retail chain. When potential customers balked, the con artist used as

references the original six customers who had been 'salted.' Before the police were alerted, he collected almost $60,000.

The old 'bank examiner' scheme is still around and working well, particularly among older widows. The con artist, posing as a bank examiner, asks the victim to

help him test the honesty of bank employees by withdrawing substantial funds. When the funds are handed over to the con artist for 'examination,' he issues the victim an official-looking but worthless 'receipt' and disappears.

Postal authorities warn citizens to be alert for mail-order swindles such as phony work-at-home schemes which require cash deposits or payments. Among all arenas for swindle activity, these are probably the most active — and productive for the con artist.

NATIONAL
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OF RETIRED
PERSONS

1909 K Street, N.W.
Washington, D.C. 20049

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BETTER BUSINESS BUREAU BBB CONSUMER INFORMATION SERIES

CONSUMER PROBLEMS OF THE ELDERLY

All consumers share a common bond—growing older. Through much of life, additional age is an asset in the marketplace, bringing with it experience and sophistication that youngsters and other novice shoppers lack. Eventually, however, aging can reduce the awareness needed in making many consumer transactions. For example, vision can weaken, hearing ability may decrease, and arthritis, rheumatism and other chronic conditions may reduce mobility. Additionally, retirement on a fixed income can make fighting inflation difficult and loneliness may produce vulnerability to a variety of schemes. An elderly person's fear of disease and death may lead to acceptance of fraudulent health claims or contribute to an exaggerated need for protective devices. Realization that life is fleeting may induce rash spending without careful attention to the consequences.

This booklet is directed to older Americans and those who live with, work with, or advise elderly people. "Forewarned is forearmed" is a helpful motto.

PHYSICAL SAFETY

National surveys show that older Americans fear crime more than they worry about any other serious problem. Not only is theft of even a few dollars a serious setback to someone on limited income, but also physical violence to the elderly generally has more severe consequences in terms of recovering from the attack.

Some unscrupulous companies prey on the fears of the elderly in an effort to sell expensive burglar detection systems with recurring monthly service charges for maintenance. Elderly people living by themselves should call their local police department and ask for advice on crime protection. Many police departments have a free "Operation Identification" program that provides a thorough inspection of the home, advice on the types of locks and other protective devices to use, and the loan of an engraving tool to mark an identifying code number on valuables.

If the police department suggests installation of an intruder alarm system, ask for recommendations of reputable companies. Ask your Better Business Bureau for reliability reports on companies being con-

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sidered and for a copy of the BBB's "Tips on Residential Alarm Systems."

SHELTER

Some older citizens are fortunate enough to have paid off the mortgages on their homes before they retire. If they are able to continue paying property taxes, keep up the house and yard, and manage typical barriers of architectural style such as stairs, they may choose to live in the same place indefinitely. Others, however, may look upon retirement as creating the necessity or the opportunity to live somewhere else. Any decision to move should be based on careful consideration of all available options.

Co-ops and condominiums offer maintenance of all common grounds; the owner buys only the portion of the building he or she occupies. They often include many of the featured attractions of resort hotels—swimming pools, tennis courts, saunas, shuffleboard, card rooms, bowling alleys, even movie theaters. What the unsuspecting buyer often does not plan for is the likelihood that the fees to manage these amenities will increase at least as fast as the cost of living index. Thus, while the elderly owner gradually makes less use of the luxuries associated with condo living, the mandatory fee for maintaining them tends to take a growing share of the housing budget. Each owner is obligated to pay for whatever the majority of the owners vote to implement, whether he or she will make use of the facilities or not.

Retirement villages have sprouted full-blown, especially in favorable climates of California, Florida, and Arizona. Before rushing to purchase a retirement home in some advertised area, the potential

buyer should investigate carefully. Decisions should be based on facts, not promises. Be especially wary of land offered for sale by mail order—never buy property without inspecting it in person. The Department of Housing and Urban Development (HUD) administers a law that affects mail order sales in interstate commerce. *Before* purchasing land in another state, contact the proper agency in the state in which the property is located or HUD, Office of Interstate Land Sales Registration, Washington DC 20411 and learn about the seller. Be sure to obtain and read a copy of the property report. Also check with your local Better Business Bureau for a reliability report on any land offer that interests you.

Mobile (modular) homes appeal to many older Americans. Do not be misled, however, into exaggerated reliance on their mobility. The vast majority of such housing—now called "modular" instead of "mobile"—is moved only once: from the factory to the site where it is anchored. A potential buyer should be certain, before investing in a mobile home, that he or she wants to adopt the lifestyle such a move will require. Many communities have zoning laws that severely restrict the location of mobile housing, often placing it on the outskirts of urban areas rather than convenient to city services. Quality of construction varies widely, as do terms of financing both the mobile home itself and the site where it is anchored. Check the dealer's reputation with your Better Business Bureau.

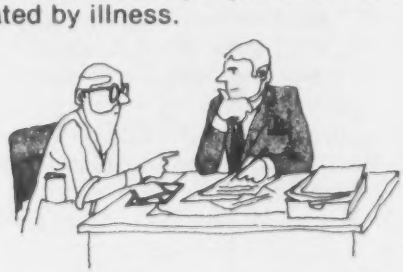
Public housing units exist to varying degrees for older people with low incomes. Some are designed for the elderly alone in buildings of their own; other developments include people of various ages within one building.

Moderate income housing is sometimes sponsored by churches and other non-profit private concerns with financial help from the federal government, usually through loans or mortgage insurance. Typically, these buildings provide private apartments or individual rooms without cooking facilities and offer group meals in congregate dining rooms. Many also provide or are adjacent to activity rooms, senior centers, clinics, and local services. Local housing authorities or churches are the best sources of information on this type of housing. Waiting lists are often long.

Nursing homes, a relatively recent addition to society's institutions, substitute for some of the attention and care that multi-generation families used to provide. Some of them offer competent assistance and genuine companionship. Others, motivated by greed, extract a "guest's" last cent in exchange for neglect and even abuse. An estimated 25,000 nursing homes throughout the nation have more than 1.2 million patients, about half of whom do not need actual nursing care but live in these facilities because they have nowhere else to go.

Selecting a nursing home requires careful investigation. Always try to get first-hand knowledge by talking with friends or relatives of patients in them and by touring the facilities thoroughly. Since nursing homes are covered by the Social Security Act, those that accept any federal funding must be inspected annually for quality of staff, fire safety, cleanliness, range of service, and standards of food preparation. Copies of these inspection reports can be consulted, by special request, at more than 1,300 Social Security offices. Be sure, too, to check with your Better Business Bureau for a reliability report on any nursing home you're interested in.

An important fact to remember is that moving into a nursing home is not the only alternative for the elderly person who is no longer self-sufficient. Many communities have programs such as Meals-on-Wheels, which delivers a hot meal each day to people unable to cook for themselves, and day care centers that offer simple meals and group activities to those mobile enough to leave their homes. Such day care centers are especially helpful for senior citizens living with employed relatives who can be with them at night but not during the day. Visiting nurse services, home health aides and homemaker services are now offered by private organizations and many local governments, making nursing homes less essential to people who are not actually incapacitated by illness.



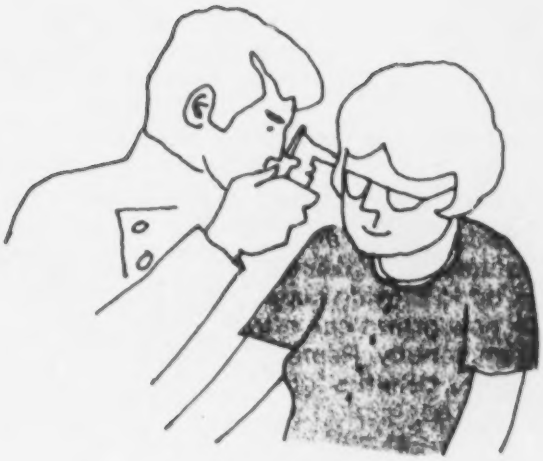
HEALTH CARE

Almost every American reaching age 65 today is eligible for Social Security benefits on that birthday. (Indeed, benefits are available at age 62, but early payment reduces the monthly benefit amount for the rest of the recipient's life.) Anyone 65 years or older and eligible for Social Security benefits, is also eligible for Medicare to help pay for health care.

Elderly people having a very low income are usually also eligible for Medicaid, covering both hospital and doctor's services. In addition to visiting nurse services, home health aides, and homemaker services, many local health departments also offer public health clinics, mental health clinics, health screening programs, mobile medical and dental units, and physical therapy, all of which are generally covered by Medicare and Medicaid.

Despite the wide range of legitimate health services available to the elderly, a surprising number of elderly people become victims of health quacks. Preoccupied with avoiding or banishing illness, older people desperately want to believe that a urine test will discover cancer and drinking red clover tea will cure it, that wearing a copper bracelet or taking vitamins will cure arthritis, and that special diets will solve health problems ranging from heart disease to anemia. Quacks thrive on the infirm. Not only are their "cures" ineffective and expensive, but even worse, their remedies are often harmful to the body and delay proper medical treatment until too late for healing to occur.

One of the biggest rackets spawned by quacks is the sale of hearing aids without adequate medical diagnosis of a hearing problem. Beware of people calling themselves "hearing aid audiologists." Such quacks frequently go door to door offering free hearing tests and claiming to discover hearing problems in everyone unwise enough to take a test. Check the reputation of a hearing aid dealer with your Better Business Bureau; another source of information is the local medical society.



Another grave problem is the practice of buying cut-rate dentures from laboratory technicians without the supervision of a dentist. Cancer of the mouth can result from chronic inflammation of the gums caused by ill-fitting dentures.

To preserve or restore good health should be a high priority for older Americans. The best means of accomplishing this goal is to rely on the advice of a competent physician. Just as important is a comprehensive program of self-care, including exercise and good nutrition. Be sure to check with your doctor before starting such a program.

ECONOMIC SECURITY

For most people, income decreases at retirement, making adjustments in spending patterns necessary. Some expenses will stop: payments into retirement systems, the cost of commuting to work, and outlays for business clothes and meals while on the job. Federal income taxes will be lower, since no federal tax needs to be paid on income from Social Security, railroad retirement benefits, and certain veterans' benefits. A retirement credit is allowed for some sources of income, such as annuities. After 65 years of age, an extra deduction is allowed for both husband and wife. And when taxable income is lower, the tax rate is likewise lower.

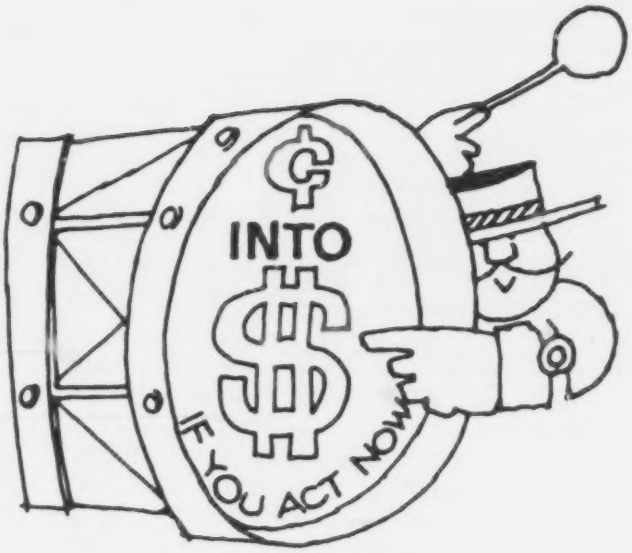
Retirees should take advantage of all tax savings available. Ask the Internal Revenue Service for a free copy of "Tax Benefits for Older Americans."

Unfortunately, other expenses increase for the elderly. The loss of an employer's contribution to health insurance and life insurance increases their cost to retirees. Many auto insurance companies hike rates for elderly drivers. All insurance should be reevaluated after retirement. Life insurance policies set up to provide support and education for children now grown can often be converted into cash or an annuity. Remember that death protection provides benefits for beneficiaries, not for the person insured.

Elderly people sometimes are victimized by unscrupulous insurance agents who sell expensive, unnecessary policies. In redesigning life, health and accident insurance programs, seek out agents who have earned the CLU (Chartered Life Underwriter) designation. Be especially careful in selecting health insurance. Generally, the cheapest protection is afforded by continuing to carry a group health plan begun while working. An individual policy taken out close to or after retirement is usually costly and may be limited in its coverage. Be sure the coverage complements, not duplicates, the hospital and medical benefits available through Social Security.

Even the most prudent planning, however, may not forestall the ravages of inflation. In such cases, older citizens may panic and fall for fraudulent schemes in an effort to make ends meet. Beware especially of the following:

Work at home. The cardinal rule here is that if the plan sounds too good to be true, it usually is. Stop and think: if someone with no training could actually make $250 each week by stuffing envelopes, knitting baby bootees, raising worms or assembling products, the labor supply would far exceed the demand for services. No senior citizen should ever spend even one dollar to buy a list of companies who *might* hire him or her to work at home. All too often, the initial cost is much larger—$500 or more to get a knitting machine, earthworm beds for fish bait, or a supply of rabbits, chinchillas or minks that will supposedly breed huge profits. Avoid any deal which requires money for instructions or merchandise before telling how the plan operates.



Becoming self-employed. Elderly people too often go into businesses they know nothing about. It's important to recognize that a startling percentage of all businesses fail. It is stretching the limits of good fortune to expect a retiree to beat the odds in a field where he or she has no experience. A particularly enticing scheme is the idea that by buying a few vending machines and restocking them occasionally an elderly person can easily earn thousands of dollars. Senior citizens approached with such an offer should get advice from a lawyer before committing any money or signing anything. Check with the BBB for a copy of "Tips on Auto matic Vending Machines."

Investing. Eager to get in on the ground floor of what promises to help them get rich quick, older people often gamble with their life savings in the mistaken belief that they are making wise investments. Be especially wary of sinking money into oil or gas royalties, futures commodities, collections of old coins, real estate for tax shelters, and jewelry for resale. Instead of throwing scarce money away on worthless investments, the elderly should build up an emergency fund for meeting unexpected expenses.

Wishing on other stars. Once-in-a-lifetime streaks of luck do not arrive via junk mail. It is highly unlikely that a letter telling a senior citizen he or she is heir to part of a fortune, or the winner of a free prize or free vacation, is legitimate. A request for money—to research the heir's estate, buy some accessory to the prize, or pay the "registration fee" for the vacation—is a dead giveaway that the proposition is suspect.

COMPANIONSHIP

Loneliness tends to make elderly people gullible. It also prompts senior citizens to spend money on computer dating services, dancing lessons, "lonely hearts" clubs, or dues for profit-oriented social organizations. Too often, con artists lead such victims to develop an emotional attachment to them and then request money for some supposed emergency. Once the funds change hands, the "admirer" vanishes.

Many communities sponsor senior citizens' programs that offer interesting activities and supervised ways to meet people at little or no cost. Contact a local aging group for information.

The desire to feel important to someone is at the heart of another slick fraud that has flourished across the nation for years. Someone introduces himself as a "bank examiner" and asks the elderly person's assistance in detecting an embezzler at the bank. The obliging helper draws out a large amount of cash, in serially numbered bills, and hands it over to the "examiner," who promises to redeposit the money to the helper's account after using it to trap the suspected embezzler. It turns out, of course, that the bank has never heard of the "examiner" and the money is never redeposited or recovered.

DECISION-MAKING

Throughout most of their adult lives, older Americans have been used to making decisions without doubting their own judgment. Somehow, the thought of being inadequate to the decision-making tasks confronting them in retirement may appear to be an admission of incompetence or failure. Neither pride nor embarrassment should pre-

vent their reliance on a second—or even a third—opinion on the best way to cope with complex consumer problems confronting them.

The best advice anyone can give the elderly is not a long list of intimidating rules but implantation of this simple motto: Ask Before Acting. Make sure you read the fine print in a contract. Get some medical advice before embarking on a health food diet. Consult family members and friends before adopting a new lifestyle. Check with professional business people before parting with any money. Above all, ask for the credentials of strangers who volunteer advice—and check them out with the Better Business Bureau.

It's a good idea to have your Social Security checks mailed directly to your bank to avoid theft or loss. For full information on Social Security, check the local Social Security Administration office for a variety of free booklets.

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